



Mind the gap

- How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.



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Cividep-India is an NGO based in Bangalore, India, which works to ensure that businesses comply with human rights, labour rights and environmental standards. With this objective, Cividep studies the effects of corporate activities on communities and the environment and educates workers about their rights.

Framtiden i våre hender (The Future in our hands) is Norway's largest environmental and solidarity organization with some 24 000 members. We raise awareness on climate change, work to ensure a fair distribution of the world's resources and support workers in their struggle for decent working conditions.

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CONTENTS

List of abbreviations.....	i
Sammendrag.....	iii
Executive Summary.....	vii
Introduction.....	x
Objectives of the Study.....	xii
Methodology.....	xiv

THE CONTEXT

The Setting – Bangalore and Sriperumbudur	2
‘High-tech’ Special Economic Zone in Chennai.....	4
Bangalore - Peenya Industrial Area, Mysore Road and Rural Bangalore.....	7
Trade Unions in the Garment and Electronics Sectors in Bangalore and Sriperumbudur.....	8
The Employers and the Workplaces	10
Hennes & Mauritz (H&M), Sweden.....	10
Varner Group AS, Norway.....	11
Samsung Electronics, Korea.....	12
Dell, USA.....	13
Towards a Living Wage	14
The United Nations Guiding Principles on Business and Human Rights.....	16
International Labour Organization and Decent Work.....	17
The United Nations Global Compact.....	19
Clean Clothes Campaign and Asia Floor Wage Alliance.....	22
Action Aid’s Living Wage Model.....	24
Electronics Watch.....	25
Living Wage References in Workers’ Rights and Sustainability Initiatives	27
Fair Wear Foundation.....	28
Ethical Trading Initiative.....	29
Fair Labor Association.....	30
Social Accountability International/SA8000.....	30
Fair Wage Network.....	32

H&M's Initiative for 'Fair Living Wage'	32
Workers' Rights Consortium	33
The Electronic Industry Citizenship Coalition	34
Wages and Wage Policy in the Indian Context	36
Labour Laws applicable to the Garment and Electronics Sectors in India	39
 THE RESEARCH	
Wages and Working Conditions in the Garment Sector in Bangalore	44
Factory A – Supplier to Varner Group	44
Factory B – Supplier to H&M	53
Factory C – Supplier to H&M	59
Wages and Working conditions the Electronics Sector in Sriperumpudur	65
Samsung	66
Dell	72
Comparison of Consumption and Expenditure Patterns of Workers in the Garment and Electronics Sectors in India	78
Wages: What is needed?	78
Actual wages	81
Conclusions	88
Ways forward	93
References	98
Appendices	100
Appendix I: Selected provisions of Indian labour laws relevant to manufacturing sectors including garments and electronics	100

LIST OF ABBREVIATIONS

<u>ACC</u>	Association of Conscious Consumers
<u>ACIDH</u>	Asociación Catalana de Integración y Desarrollo Humano
<u>AFWA</u>	Asia Floor Wage Alliance
<u>AMV</u>	Actual Minute Value
<u>ATP</u>	Anna Thozhil Peravai
<u>BEL</u>	Bharat Electronics Limited
<u>BHEL</u>	Bharat Earth Movers Limited
<u>BHEL</u>	Bharat Heavy Engineering Limited
<u>BMW</u>	Bavarian Motor Works
<u>BYD</u>	Build Your Dreams
<u>C&A</u>	Clemens and August
<u>CCC</u>	Clean Clothes Campaign
<u>CITU</u>	Centre of Indian Trade Unions
<u>CIVIDEP</u>	Civil Initiatives for Development and Peace
<u>CMDA</u>	Chennai Metropolitan Development Authority
<u>EDS</u>	Electrostatic Discharge Shoes
<u>EICC</u>	Electronics Industry Citizenship Coalition
<u>EPF</u>	Employees Provident Fund
<u>ESI</u>	Employees State Insurance (Act)
<u>ESI</u>	Employees State Insurance Corporation
<u>ETI</u>	Ethical Trading Initiative
<u>FIOH</u>	Future In Our Hands
<u>FLA</u>	Fair Labor Association
<u>FWF</u>	Fair Wear Foundation
<u>FWN</u>	Fair Wage Network
<u>GAFWU</u>	Garment and Fashion Workers' Union
<u>GATWU</u>	Garment and Textile Workers' Union
<u>GDP</u>	Gross Domestic Product
<u>GLU</u>	Garment Labour Union
<u>H&M</u>	Hennes & Mauritz
<u>HDI</u>	Human Development Index

<u>HAL</u>	Hindustan Aeronautics Limited
<u>ICDS</u>	Integrated Child Development Scheme
<u>ICT</u>	Information and Communications Technology
<u>IDA</u>	Industrial Disputes Act
<u>ILO</u>	International Labour Organization
<u>INR</u>	Indian Rupee
<u>IT</u>	Information Technology
<u>ITI</u>	Indian Telephone Industries
<u>KGWU</u>	Karnataka Garment Workers Union
<u>LCD</u>	Liquid Crystal Display
<u>LED</u>	Light Emitting Diode
<u>LG</u>	Lucky GoldStar EElectronics
<u>LPF</u>	Labour Progressive Federation
<u>MGNREGS</u>	Mahatma Gandhi National Rural Employment Guarantee Scheme
<u>NGO</u>	Non-governmental Organization
<u>NTUI</u>	New Trade Union Initiative
<u>OECD</u>	Organization for Economic Cooperation and Development
<u>PC</u>	Personal Computer
<u>PDS</u>	Public Distribution System
<u>PF</u>	Provident Fund
<u>RMG</u>	Ready Made Garment
<u>SAI</u>	Social Accountability International
<u>SETEM</u>	Servicio Tercer Mundo
<u>SEZ</u>	Special Economic Zone
<u>SMV</u>	Standard Minute Value
<u>SOMO</u>	Centre for Research on Multinational Corporations
<u>STPI</u>	Software Technology Park
<u>UN</u>	United Nations
<u>UNDP</u>	United Nations Development Programme
<u>UNGP</u>	United Nations Guiding Principles on Business and Human Rights
<u>USD</u>	United States Dollars
<u>VDA</u>	Variable Dearness Allowance
<u>WAC</u>	Workers Assistance Centre
<u>WEED</u>	World Economy, Ecology and Development
<u>WRC</u>	Worker Rights Consortium

SAMMENDRAG

Denne rapporten er utviklet i samarbeid mellom Framtiden i våre hender (FIVH) i Norge og Civil Initiatives for Development and Peace (Cividep) i India, to organisasjoner som jobber for en rettferdig global fordeling av goder, basert på respekt for faglige rettigheter og hensyn til lokalsamfunn. Rapporten undersøker arbeidsforhold og lønninger innen to ulike globale leverandørkjeder som produserer varer for det europeiske markedet: tekstilindustrien i Bangalore, India, som syr klær for kjente europeiske kjeder (blant annet det svenske multinasjonale selskapet H&M og norske Varner-gruppen), og elektronikkindustrien i Sriperumbudur, nær Chennai, hvor firmaene Samsung og Dell får sine varer produsert.

Opplysningene til denne rapporten ble samlet inn gjennom intervjuer med arbeidere utenfor deres arbeidsplass, hvor de våget å si sin mening. Intervjuene tok utgangspunkt i et spørreskjema. I tillegg ble organisert diskusjoner i fokusgrupper med arbeidere fra hver fabrikk. Det ble også hentet inn informasjon om hvordan ulike institusjoner arbeider for høyere lønninger i de to sektorene. Dessuten søker rapporten å gjøre rede for begreper som ”anstendig arbeid” og ulike begreper som knyttes til lønn (minstelønn, levelønn, behovsbasert lønn), som en del av Indias arbeidsrett og den offentlige diskursen.

Rapporten viser at arbeidsforholdene ved et utvalg av fem fabrikker i disse sektorene ligger under det som er universelt anerkjente standarder, ikke minst de som settes av FN-organet Den internasjonale arbeidsorganisasjonen (eng. International Labour Organization, ILO). Lønningene til de intervjuede arbeiderne kan heller ikke sies å ligge på et levelønn-nivå.

Undersøkelsen viser også at arbeidsforholdene ved de fem fabrikkene ikke kan betegnes som ”anstendig arbeid” (eng. ”decent work”). Anstendig arbeid er et begrep som International Labour Organization (ILO) benytter om arbeid som kjennetegnes av frihet, likhet, sikkerhet og menneskeverd.

Rapporten sammenligner hva arbeiderne ved de fem kles- og elektronikkfabrikkene bruker sin lønn på, i hvilken grad de trenger å ta opp lån – og i så fall årsakene til det og hvordan de ser på framtiden.

Undersøkelsen viser at anstendige arbeidsvilkår – som er grunnlaget for et verdig liv – ikke er innenfor rekkevidde for arbeiderne ved de undersøkte fabrikkene, slik situasjonen er i dag. Leverandørenes manglende respekt for faglige rettigheter og dårlige ansettelsesforhold er hovedårsakene. Mangelfulle arbeidskontrakter

balanserer ikke arbeidsgivers og arbeidstakers rettigheter og plikter, og redegjør ikke godt nok for arbeidernes rettigheter. Dette setter arbeiderne i en svak posisjon og undergraver ytterligere selve rammen for anstendige arbeidsforhold.

Det framstår som vanskelig å organisere seg ved de fabrikkene som undersøkelsen dekker og etter det vi forstår har ingen av produksjonsstedene en godkjent fagforening. Arbeidere som har forsøkt å organisere seg har angivelig blitt truet eller fått sparken. Ansatte som står opp for sine rettigheter får ikke sitte i lovpålagte komiteer som for eksempel arbeidskomiteen, komiteen mot seksuell trakassering eller helse og -sikkerhetskomiteen. Andre har fortalt at de allerede under ansetelsesintervjuet er blitt advart om mulige konsekvenser dersom de organiserer seg. Noen blir også instruert om ikke å klage over arbeidsforholdene når disse blir kontrollert. Forhold som dette hindrer sosial dialog og står i veien for demokrati på arbeidsplassen.

Årsaken til manglende dialog mellom ansatte og ledelsen i fabrikkene springer primært ut fra ledelsens syn på fagforeninger. Produksjonsmålene er for høye, ifølge arbeiderne, og arbeidspresset skaper spenninger på arbeidsplassen som påvirker arbeidernes helse og velvære. Mange arbeider mer enn det loven tillater, noen uten overtidbetaling. Overtidstimene går ut over fritiden og sosiale relasjoner og gir ikke nok hvile, hvilket skaper misnøye og slitne arbeiderne. Ledere ved noen fabrikker utsetter arbeiderne for overgrep (for eksempel utskjelling) eller annen ulovlig behandling.

Andre funn i rapporten:

- Med nåværende lønnsnivå, som i tekstilsektoren er så vidt over minstelønn, er ikke arbeiderne i stand til å få sine grunnleggende behov dekket. De fratras dermed retten til et verdig liv.
- På fabrikkene som er undersøkt, både innen elektronikk- og tekstilsektoren, ligger lønningene på bare omkring halvparten av hva som regnes som en levelønn.
- Med nåværende lave lønninger i begge sektorer bruker arbeiderne nesten hele sin inntekt på å dekke sine mest grunnleggende behov. Mange er tvunget til å låne penger for å dekke utgifter til husholdningen, barnas utdanning og øyeblikkelig helsehjelp.
- De fleste av arbeiderne har ikke mulighet til å spare opp penger da hele inntekten går til å dekke primærbehovene. I tillegg vil inflasjonen ofte tvinge noen til å kutte ned på kjøp av næringsrike matvarer, som igjen påvirker familiemedlemmenes helse.
- Den gjennomsnittlige husholdningsinntekten til tekstilarbeiderne i Bangalore, og Dells arbeidere i Sriperumbudur, er lavere enn de antatte

månedlige levekostnadene for en familie på tre. Det gir grunn til bekymring da arbeidernes husholdning i gjennomsnitt består av mer enn tre medlemmer.

- Den gjennomsnittlige husholdningsinntekten til arbeidere i utkanten av Bangalore er lik den statlig stipulerte månedlige levekostnaden, men husholdningene består i gjennomsnitt av mer enn tre medlemmer (slik de statlige satsene tar utgangspunkt i). Arbeidere strever med å dekke sine grunnleggende behov, og mange søker derfor overtidsarbeid og/eller tar på seg en deltidsjobb i tillegg til fabrikkjobben.
- Noen arbeidere jobber overtid etter eget ønske, i håp om å få fast arbeid.
- Til tross for deres heltidsstillinger har mange arbeidere gjeld. Med få unntak føler de intervjuede arbeiderne at livet deres ikke vil bedres med nåværende inntekt og at deres framtidsutsikter er mørke.

Uten en levelønn klarer ikke arbeiderne ved tekstil- og elektronikkfabrikkene å leve et verdig liv, eller sikre et verdig liv for seg og sin familie. Lave lønninger i begge sektorene øker arbeidernes avhengighet for å skaffe penger fra andre steder, hvilket fanger dem i en gjeldssirkel. Disse, samt andre funn, viser at arbeiderne har behov for en levelønn som kan gi dem et verdig arbeid.

Fabrikkledelsen ser ut til å vie liten tid og oppmerksomhet for å sikre arbeidernes fysiske og psykiske helse. Ved flere av fabrikkene anstrenger ikke ledelsen seg for å legge til rette for en optimal bruk av myndighetenes helseforsikringsordning. Folketrygdordningen for ansatte (eng. The Employee State Insurance Scheme) er riktignok byråkratisk og ineffektiv, men samtidig blir arbeiderne berøvet goder de ellers kunne fått, grunnet manglende innsikt og interesse fra ledelsens side. Arbeiderne forteller også om manglende informasjon med hensyn til håndtering av farlige stoffer og produksjonsprosesser, og at arbeidere som eksponeres for slikt sjeldent blir helsesjekket.

Industriens og selskapenes svar på kritikken om dårlige arbeidsforhold og svake statlige mekanismer for å regulere arbeidslivet, har vært å drive en utstrakt kontrollvirksomhet ved fabrikkene. Denne har skjedd enten i statlig regi, gjennom innleide revisjonsselskaper eller av kles- og elektronikk-selskapene selv. Mange av de intervjuede fortalte researchteamet bak denne rapporten at ledelsen forbereder kontrollbesøkene for å skape et godt inntrykk av forholdene. Arbeiderne får for eksempel beskjed om hvordan de skal oppføre seg og hva de skal si under kontrollene. Det kan virke som om slike kontroller ikke bare er utilstrekkelige, men også gir et feil bilde av hva som foregår på fabrikkene og hvordan arbeidsforholdene er. Det kan framstå som et paradoks, men slik situasjonen er i dag, med mangel på fungerende fagforeninger ved fabrikkene og ingen andre kjente kanaler hvor arbeiderne kan framføre sine bekymringer på en trygg måte, har kontroller likevel

en viss rolle å spille. Merkevarerelskapene og de ulike flerpartsinitiativene har et betydelig potensial for å forberede arbeidsforholdene, men de må strekke seg mye lengre enn de har gjort så langt ved å støtte opp under arbeidernes rett til å organisere seg og danne fagforeninger etter eget ønske. Måler må være ansatte som tør å gjøre sin stemme hørt uten frykt for represalier og som er med på å skape gode arbeidsplasser i tråd med ILOs kjernekonvensjoner og premissene i UNGP.

EXECUTIVE SUMMARY

This report is a joint effort of Future in Our Hands (Framtiden i våre hender), Norway and Civil Initiatives for Development and Peace (Cividep), India, both civil society organizations working for fair distribution of wealth globally through respect for the rights of workers and communities. The study compares working conditions and wages in two different global supply chains that cater to the European market with links to South India - the garment industry in Bangalore that produces apparel for well-known European retailers including H&M, a Swedish multinational, and Norwegian Varner Group as also the electronics industry in Sriperumbudur (near Chennai) where electronics companies Dell and Samsung (USA and Korea respectively) are manufacturing their products. The report concludes that the working conditions in both supply chains are below universally recognized standards set by International Labour Organization (ILO) in many aspects and the wages these workers are paid cannot be termed as a 'living wage'.

Also the study shows that working conditions in all the five factories cannot yet be termed as "Decent work" – a concept created by the ILO and which stands for the right of employment in conditions of freedom, equity, security and human dignity.

The report highlights the working conditions at five factories in the garment and electronics sector, it compares consumption and expenditure pattern of workers in the two sectors, also to what extent they need to take up loans for various reasons and purposes, as well as their thoughts of the future.

The findings of the study show that decent work - and as a consequence a dignified living - are currently beyond the reach of workers in the garments and electronics supply chains in India due to wages and working conditions that fall far short of national and international standards. Flawed employment policy of the companies and weak industrial relations are clearly some of the main causes. Job contracts do not balance the rights and obligations of employers and employees, and appointment letters only perfunctorily mention workers' rights. There is a high degree of hostility against trade union organizing in the factories and to our knowledge none of the factories studied have recognized a trade union. Workers who attempt to unionize are threatened or allegedly even thrown out of their jobs. Those who are assertive at the workplace are not considered for mandatory committees like the Works Committee, the Anti-Sexual Harassment Committee and the Health and Safety Committee. Others are said to be forewarned of the consequences of unionizing at the time of recruitment or induction. This precludes

social dialogue within the industry and stands in the way of a truly democratic workplace. Workers are also prevented from voicing their grievances during social audits.

Much of the strained relations between workers and managers are rooted in this adversarial view of managements with regard to trade unions. Production targets are also excessive, and work pressure generates tensions within the shop floor as also affects the health and wellbeing of workers. Many workers work beyond legally stipulated hours, without being paid extra for overtime. This forced overtime comes in the way of sufficient leisure and rest, and of social and personal interactions, causing resentment and distress. High-handed managers and supervisors subject workers to abusive (e.g. scolding) and even illegal or criminal treatment.

Workers from all but one factory said that they have received an appointment letter from their employer. However, some workers have little insight into how the terms of employment affect their status and rights at the work place.

Further findings are:

- With the current wages - which in the garment sector are slightly above minimum wage - workers are not able to meet their basic needs let alone lead a dignified life.
- Of the factories researched, wages are just about one half of what would be considered a living wage, both in the electronics and garment sectors.
- With the current low wages in both sectors workers spend almost their entire salary to meet their basic needs. Many are forced to borrow money, mostly to meet housing needs, children's educational expenses and those involving urgent healthcare.
- Most workers are not able to make any discretionary savings as the entirety of their wages goes into meeting basic needs. Often, inflation forces them to cut down on the purchase of nutritious food items, affecting the overall health of the family.
- The average household income of garment workers in Bangalore and Dell workers in Sriperumbudur is lower than the estimated monthly living costs for a family of three. This is all the more concerning as the average number of household members of these workers is more than three.
- The average household income of workers in the Bangalore rural district is equal to estimated monthly living costs however, the average number of household members is more than three in the case of these workers and their average salary is lower than what workers in Bangalore receive.
- Workers struggle to meet their basic needs, sometimes by seeking overtime work and also by taking up some additional part-time work.

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

- Some workers do overtime voluntarily, in the hope of signing permanent job contracts.
- Despite their full-time positions, many workers are indebted. With few exceptions all of the workers interviewed were of the opinion that their life would not improve with their current salary and that their future prospects seem rather bleak.

In the absence of a living wage workers in the garment and electronics sector in India seem not to be able to lead a dignified life and secure a livelihood for their dependents. Low wages in both sectors increase workers' dependence on informal financial sources which keeps them in a vicious circle of indebtedness. These and other findings substantiate the need for a living wage for workers of both sectors to provide decent work and a dignified living.

The management in the factories seem to have limited regard for the physical and mental health of the workers, and most refrain from making the best use of the government initiated health insurance scheme. The Employee State Insurance Scheme is bureaucratic and inefficient, yet workers are deprived of the benefits it could afford them due to a lack of proper understanding and disinterest on the part of management. Workers tell they are not given full information on the hazardous chemicals and processes involved in their work, and there is hardly any monitoring of the health of workers who come in contact with the same.

The industry's response to criticism of bad working conditions and weak state regulatory mechanisms in the developing countries has been to engage in social audit. Many of the interviewees told the research team that the management prepares the audits in its favour and that workers are instructed on how they should behave during the controls. Hence this control mechanism appears to be inadequate, though at present necessary in the absence of trade unions, and workers' awareness of social audits and their participation in it is marginal. Brands and Multi-stakeholder initiatives have considerable potential in improving working conditions, but it is obvious they need to go beyond verification and monitoring and must include empowerment of workers and their organizations in their agenda for action if they are serious about bringing about improvement in the working conditions.

The methods for collection of information were off-site interviews with workers in the two industries based on a questionnaire and also focus group discussions with workers. Desk research was used to understand concepts like 'decent work' that originates from ILO and concepts of minimum wage, living wage and need-based wage that are part of India's labour law tradition.

INTRODUCTION

In India in the 1990s globalization and liberalization were embraced as a means for development and the growth rate hovered around 8 per cent for several years on end. The social policies of successive governments had created a vast pool of young educated citizens who needed to be gainfully employed. Thus the growth in the garment export and other manufacturing sectors like electronics was looked up to with hope by policy makers as well as ordinary people that it would provide work that can be termed 'decent' and enabling workers to live a dignified life with all basic needs fulfilled.

Reality has been disappointing, most of all for the first generation literate young people who went to school, many despite their poor background, and were able to find employment in these new supply chains. They had believed that the life of discrimination and of hardship with little returns in the agriculture sector has ended and employment in modern factories would give them dignity and the income necessary to meet basic needs of themselves and their families. Though to an extent, more jobs have been created, young workers employed in these industries continue to be caught within cycles of poverty and exploitation that prevent them from securing a better life for themselves. Low wages and dire working conditions confine them to low standards of living and a poor quality of life.

The present study confirms the impression that the suppliers to well-known brands barely meet the legal minimum standards mandated by law in the country and avoid accepting and implementing higher norms set by universally mandated bodies such as ILO and UN. Through their intolerance of unionization in the factories, most of these companies pre-empt any serious dialogue with workers' representatives for a structured improvement in wages and working conditions. Many of the actions of supervisors and managers in garment factories in Bangalore will constitute criminal offence and human rights violations, whereas negligence to monitor the health of workers in the electronics industry has the potential to endanger their health and wellbeing in the years to come. Companies fail to educate workers on government mandated health insurance and services such as the Employees State Insurance (ESI). Low wages push workers into a cycle of poverty and indebtedness and studies show that the women garment workers suffer from malnutrition and health problems associated with it like anemia.

This study points to the need for comprehensive solutions if working conditions are to become more humane beginning from recognition of the right to freedom

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

of association of workers. This right has long been recognized as an enabling right that makes employer - employee dialogue possible and essential for sustainable production systems that will ensure benefits for all stakeholders. Home country governments of brands, regulatory authorities of production countries, multi-stakeholder initiatives, global and local trade unions, civil society organizations that are focused on labour support - all have a role to play to lift these workers from poverty and to ensure them a dignified life in return for their production of goods that are consumed all over the world.

The first chapter of the report provides background to the context of the two supply chains studied in South India. The second chapter introduces the brand companies sourcing from these two supply chains. Chapter three highlights various institutions efforts for living wages. The fourth chapter gives an overview of living wage references in workers' rights and sustainability initiatives. The fifth chapter zooms in and describes wages and wage policy in the Indian context as well as labour laws applicable to the garment and electronics sectors. The sixth and the seventh chapters present the findings of the research on wages and working conditions in the garment sector in Bangalore and the electronics sector in Sriperumpudur. Chapter eight compares consumption and expenditure patterns of workers in these supply chains to highlight the need for a living wage and finally chapter nine draws the conclusions of the report and carry some recommendations for ways forward.

OBJECTIVES OF THE STUDY

This report aims to compare wages and working conditions in two different global supply chains that cater to the European market with links to South India - the garment industry in Bangalore that produces apparel for well-known European retailers such as H&M, a Swedish multinational, and Norwegian Varner Group and the electronics industry in Sriperumbudur (near Chennai) where electronics companies Dell and Samsung (USA and Korea respectively) are manufacturing their products. The report investigates whether the wages these workers are paid may be termed as a 'living wage'. Through interviews with workers, the study also attempts to understand what impact the wage level in these two industries have on the living conditions of the workforce. Do current wages lead to a more "decent living" according to the workers themselves?

Trade unions and labour support NGOs have held that the employment conditions, including wages in both the electronics and apparel sectors in producing countries including India are below internationally recognized labour standards. Wages are low and working conditions are harsh and often unsafe, it is alleged. The impression evident from recent study reports, in some of which Cividep has participated, is that the brands and their suppliers barely ensure the legal minimum standards mandated by law in the country. Through the intolerance of unionization in the factories, most of these suppliers undermine dialogue with workers' representatives for a structured improvement in wages and working conditions.

Earning a living wage is increasingly being seen as a human right, and any wage payment below the level of one that ensures that basic needs are met and a decent quality of life maintained would be seen as the violation of the human rights of workers. A pernicious practice of corporates in recent years is to accept in principle the need to pay living wage to workers, but not implementing it in practice citing lack of legal force behind the concept or difficulty in computing the living wage accurately.

With this as a background Future in Our Hands (FIOH), Norway, and Civil Initiatives for Development and Peace (Cividep), India, both civil society organizations, were interested in finding out the nature of working conditions in these two sectors through a field study that was carried out between June and September 2014. It raises and seeks to answer questions centered on the idea of 'Decent Work' as propounded by the International Labour Organization (ILO). What is the quality of life of workers in factories in South India who produce electronics goods and clothing that are exported to Europe? What are the similarities in the two sectors - and in what ways do they differ? Can we call the conditions of employment of

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

these workers as what ILO terms ‘Decent Work?’¹ The global supply chains of electronics and apparel have indeed created jobs in countries of the global South. Are the working and living conditions of these workers tolerable in their own view and in the eyes of a humane observer? Are there ways in which consumers, non-governmental organizations and trade unions in Europe and companies that originate in the global North could monitor the situation of workers in these supply chains and contribute towards concrete, long-lasting improvements? What measures can workers themselves and trade unions and NGOs that represent and support them take to positively change the situation? Are State policies and practices at the levels of the central and state governments in India conducive to better working conditions?

1 <http://www.ilo.org/global/topics/decent-work/lang--en/index.htm> (11/09/2014)

METHODOLOGY

The methods adopted for collection of information were off-site interviews with workers in the two industries based on a questionnaire², focus group discussions with workers and desk research. All the interviews with workers took place in August 2014 and information gathering for the desk research was finalized in early December. The desk research was mainly for a clearer understanding of concepts like 'decent work' that originates from ILO and of the ideas of minimum wage, living wage and need-based wage that are part of India's labour law tradition and to trace the debate on the concept on living wage. The interviews were semi-structured and conducted with the help of a questionnaire. Respondents were selected on the basis of random and snowball sampling methods. First, workers coming out of the factory premises were contacted who in turn provided contacts to other respondents. Focus group discussions were also conducted with the aid of a list of questions to guide the discussions on topics and issues that were pre-determined as well as on those that came up during the individual interviews.

In the electronics sector, workers of factories managed directly by two global companies through their Indian subsidiaries, Samsung of Korea and Dell of the US were chosen for interviews and focus group discussions. In the garment sector, workers of three factories, two supplying to the Swedish brand H&M and one to the Norwegian clothing company Varner Group were interviewed. The electronics manufacturing plants are both based in Sriperumbudur, an industrial area near Chennai, the capital city of Tamil Nadu State. The garment factories are located in or near Bangalore, the capital city of Karnataka State. Workers that were interviewed hold different job designations to reflect shop floor realities.

In Samsung all the 15 workers interviewed were male whereas in Dell all the 16 workers interviewed were female. Further, one focus group discussion each was conducted with 13 male workers of Samsung and 8 female workers of Dell. Besides, one discussion was conducted with 12 workers who had accepted 'voluntary retirement' offered by Nokia upon the global acquisition of the cell phone component of the company by Microsoft and one discussion with 10 workers still working at the Nokia factory in Sriperumbudur. More information about the problems encountered in course of the acquisition and the retrenchment of over 5000 workers may be found in a box in the next chapter.

In the garment sector, 45 workers were interviewed out of whom 43 were women

2 *51 questions were raised during the interviews.*

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

and two were men. In the three focus group discussions for this sector, eight female and three male workers participated from one factory, 15 female and seven male workers participated from the second factory and 16 women workers attended the discussion in the case of the third factory.

The garment sector suppliers were selected from published suppliers' lists on the basis of their business connection with global brands and according to their location in a rural or urban area. One factory was selected from the vicinity of Bangalore, while the other two were situated in Bangalore. Since each brand had several suppliers in the area, the selection of suppliers was carried out randomly. The factories were not known by Cividep and Future in Our Hands beforehand. Factory A is a Varner Supplier. The suppliers of H&M are located within Bangalore though in two different industrial areas. The two suppliers of H&M are designated as Factory B and Factory C – H&M Suppliers, throughout this report. The majority of the respondents were women as an estimated 80% of the workforce in the garment sector is female.

The electronics workers were identified based on their employment in the factories of Samsung and Dell and on the areas of residence close to the factory. Many workers commute daily to their native villages and are therefore not easily accessible. All the respondents in Dell were female, partly due to the high percentage of women workers in Dell (75%). It would have been ideal to interview a few male workers as well but this was not possible due to practical constraints. All the interview respondents in Samsung were male, primarily due to the high percentage of male workers (80%) in the factory. Here too, it would have been desirable to include the voices of women workers in Samsung even though they are few.

All the data from workers has been made anonymous to protect the workers' privacy and to prevent any repercussions upon them. The consent of all respondents was sought before interviews were conducted and the purpose of the research clearly communicated. Interviewers had undergone training on qualitative research methods and interviewing skills.

The currency exchange rate on the 1st of December 2014:
100 NOK = INR 893 and 100 EUR = INR 7733.³

³ <http://www.xe.com/currencyconverter/>

THE CONTEXT





The Setting – Bangalore and Sriperumbudur

The two neighboring states in South India are among the 30 states of the Republic of India. Of the population of 1.23 billion people in India⁴ Tamil Nadu accounts for 72 million and Karnataka for 61 million constituting 5.8% and 4.9% of the total respectively. Both the states, including the other Southern states are mostly populated by people of Dravidian ethnic origin who constitute about 25% of the total population of India. Tamil, the main language of Tamil Nadu is spoken by about 5.9% of the Indian population whereas Kannada, the main language of Karnataka is spoken by 3.7%. The population of Chennai, the capital city of Tamil Nadu is 8.7 million whereas the population of Bangalore which is the capital city of Karnataka is 8.6 million according to the 2011 census. The two industries that this report is concerned with are located in these two urban centers.

The Gross Domestic Product of India is currently estimated to be US \$ 1.8 trillion which is 3.03% of the world economy. Tamil Nadu accounts for about 7.65% of India's GDP while Karnataka has a share of 5.49%. It is considered that the South Indian states and two in the West, Maharashtra and Gujarat, are ahead of other regions of India in terms of economic development.

In human development, India ranks 135 out of the 187 countries included in the Human Development Report, 2014 of UNDP and at a HDI value of 0.587, falls in the category of countries with 'Medium Human Development'. It falls short of the world average, which is 0.702 (UNDP, 2014; p. 34).

⁴ <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html> (15/10/2014)

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

The Southern states perform better on the human development indicators and both Tamil Nadu and Karnataka fall within the Medium Human Development category according to 2011 computations. Tamil Nadu ranks high in the implementation of anti-poverty and social welfare measures of the national government such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the Public Distribution System (PDS) or subsidized grain for the poor, the Integrated Child Development Scheme (ICDS) which provides child care facilities for low income working people. Tamil Nadu also leads in providing free primary school education along with mid-day meal for students and implements many other popular welfare measures like pensions for widows, the disabled and the old.

Bangalore, the capital of Karnataka grew steadily after Independence when some of the large public sector industries were established here under the planned economic programme of the first Prime Minister of India, Jawaharlal Nehru. These public sector industries contributed greatly to the economic development of the region and the country. Some of these like the Bharat Earth Movers Limited (BEL) and the Bharat Heavy Engineering Limited (BHEL) are still profit making companies, whereas some others like Hindustan Aeronautics Limited (HAL), Indian Telephone Industries (ITI) and Bharat Electronics Limited (BEL) have known better days. All these industries together attracted and created a trained workforce whose educated progeny could easily be absorbed into the rising information technology and other modern sectors. In the shadow of these industrial giants, the garment

Sign showing the location of the Sriperumbudur Industrial Park.



industry grew, attracting less media hype and public attention and the workers have been mostly women and men who migrated from rural areas looking for better wages than agriculture could offer.

‘HIGH-TECH’ SPECIAL ECONOMIC ZONE IN CHENNAI

Dell and Samsung are both located in the Sriperumbudur Industrial Park, which is also called High-Tech Special Economic Zone (SEZ) in Kanchipuram district in Tamil Nadu. It is situated between the two towns of Sriperumbudur and Kanchipuram about 50 kilometers from Chennai on the Chennai-Bangalore highway. According to the 2001 India census, Sriperumbudur alone had a population of 86,085. However, the current population is estimated to be at least double that figure. The Kanchipuram district as a whole has a population of 3998252 according to the 2011 census⁵. Since 2005, the area has seen rapid industrialization, infrastructure growth, establishment of Software Technology Parks (STPIs) and Special Economic Zones (SEZs).

This area, once surrounded by fertile rice fields and known for its numerous temples, now co-exists with large industrial concerns. Hyundai, the automobile company was an early investor when they established their car operations in 1999. Later, Saint-Gobain the glass-makers, mobile phone manufacturers Nokia, automobile majors Ford, Hindustan Motors, Mitsubishi, BMW and lately Nissan all have set up facilities. Since 2006, the area has seen investment by electronics manufacturers and has become the heart of mobile phone manufacturing in India. Other electronics companies to set up factories in the area are Flextronics, Foxconn, Perlos and Salcomp, and the curiously name ‘Build Your Dreams (BYD)’ all of whom were suppliers of Nokia. Out of these, now the Nokia plant has changed hands having sold the business to Microsoft terminating the employment of over 10 000 workers, and BYD closed down in July 2014 affecting 500 workers.

Large scale migration of workers from other areas of Tamil Nadu as well as from different states of India, mostly from the less developed states like Assam, Manipur, Orissa, Jharkhand and Chhattisgarh, has altered the demography of the area. The changes have brought benefits in the form of employment, but work here is characterized by low wages, lack of social security, poor housing conditions and inadequate civic amenities like hospitals, schools, water supply and sanitation. Farmers have lost land to the special economic zones and many of them have joined the work force, increasing the labour supply and driving down the wages

5 Census Report 2011 <http://www.census2011.co.in/census/district/22-kancheepuram.html> (16/10/2014)

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

and benefits. The towns and their social infrastructure are hemmed in by industrial development all around. These effects are visible not just in Sriperumbudur, but also in the district headquarters of Kanchipuram and the neighboring town of SV Chatram.

The Case of Nokia India

Finnish multinational company Nokia set up its largest mobile phone assembling plant in Sriperumbudur, Tamil Nadu, India in 2005. Attracted by the tax concessions offered under the Special Economic Zone Act 2005, resource subsidies and low labour costs, Nokia then the leading mobile phone brand assembled 500 million phones in just five years. However, due to stiff competition from other brands such as Apple and Samsung in the smartphone business, Nokia's market share decreased drastically over the last years. In September 2013, Microsoft acquired Nokia, including its worldwide cell phone manufacturing plants for \$7.2 billion. Notwithstanding this take-over, the Indian Supreme Court ruled that the Nokia plant in Sriperumbudur can only be transferred to Microsoft if Nokia deposits in escrow 35 billion Indian Rupees (\$583 million) to cover its current and any future tax liability.

With the global acquisition of Nokia by Microsoft 5,700 permanent workers in India were offered 'voluntary retirement schemes' in April 2014. Contract workers and trainees had already been retrenched earlier. Some of the workers with higher education (Industrial Training Institute or other degrees) found jobs in the automobile industry in the Sipcot Industrial Area close to Sriperumbudur but most of the workers who have completed only 12 years schooling had to go back to their villages. The majority of former Nokia workers are still jobless and Nokia's Bridge program has not enabled them to find new employment yet. Women workers have been trained as beauticians and were offered to join tailoring classes as part of the program to train them in different skills and enhance their employability. However, neither as a beautician nor as a tailor will these workers ever receive salaries comparable to the once they earned at Nokia.

Nokia which once employed 12,000 workers in its factory in South India continued to work with only 850 workers from May 2014. Most of them have joined Nokia in 2007 and are members of the Nokia Employees Workers Union. Production reduced significantly in only one shift while Nokia was operating round the clock earlier. Workers were offered a contract till March 2015. However, in October 2014 Nokia announced that it will suspend handset production operations at its Sriperumbudur facility from 1 November post termination of services agreement with Microsoft.

Nokia's new owner Microsoft decided to shift its mobile phone production to Vietnam where labour costs are even lower than in India. The handsets produced there are predominately expected to be low-end, the types of handsets that were previously manufactured in Sriperumbudur.

The 850 workers that were still working at the factory have approached their union president the Tamil Nadu State Secretary of CITU union and member of the legislative assembly (MLA) of the state government of Tamil Nadu to put the issue on the agenda of the legislative assembly. The union also took several initiatives to raise their demand for job security in front of the labour department. They held an awareness raising meeting in front of the Secretariat of Tamil Nadu (chief minister's office) and organized rallies and general meetings in Kancheepuram in front of the Collector's office (head of the district administration) and a protest in front of Nokia's main gate. The union also called for a tripartite meeting with the management and the Labour Commissioner to demand job security but all in vain. Nokia finally offered severance packages of INR 750 000 – 10 000 000 to workers six to eight years of work experience. The professional future of these workers is doubtful.

Workers' dwelling in Bangalore.



Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.



A worker holding a Nokia phone.

BANGALORE - PEENYA INDUSTRIAL AREA, MYSORE ROAD AND RURAL BANGALORE

Bangalore is among the five export garments production hubs in India, the rest of them being Delhi, Chennai, Mumbai and Tirupur. Bangalore accounts for about 15% of the production of exported garments in India by value and by volume. The industry nationally contributes approximately 16% to the foreign earning of India and the total workers employed in the industry in the country as a whole is about 3.5 million⁶.

The garment factories in Bangalore are concentrated in Peenya, Mysore Road and Hosur Road which are located in the North, South-West and South-East of the city respectively. In Doddaballapur, about 50 kilometers away from the city there is also a special economic zone exclusively for garment production where a few garment factories are located. As the city grew in the last two decades and when real estate value appreciated, factories gradually relocated to the peripheries. The garment industry in Bangalore grew parallel to the expansion of the industry in India as a whole. In over 1200 small, medium and large garment factories in Bangalore there are over 300 000 workers, 80% of them being women. The smallest factories may employ about 100 workers and the largest among them about 4000. The large

⁶ <http://info.shine.com/industry/textiles/17.html> (17/10/2014)

companies in Bangalore like the Bombay Rayons Fashions, Shahi Exports, Gokaldas Exports, Gokaldas Images and Texport Group each employ in their several factory units between 20 000 and 50 000 workers.

Except Peenya Industrial Area and the new Doddaballapur SEZ, rest of the industrial areas developed spontaneously without planned infrastructure. However, housing has not been a part of the planning for industrial development even in the SEZs. As workers migrated to the city for employment in the garment industry in the city, they found rented accommodation in the surrounding suburbs in extended constructions of existing houses or houses specially (and cheaply) built to be rented out. A number of workers are brought in buses from villages as far as 100 kilometers from the city. Living areas of garment workers are poorly served by the municipal administration. Water and power supply are not regular. Proper waste collection and processing systems are absent. Policing is weak and many of these areas are crime prone and are potentially dangerous for workers, especially for women.

TRADE UNIONS IN THE GARMENT AND ELECTRONICS SECTORS IN BANGALORE AND SRIPERUMBUDUR

Trade union activity in the garment sector mainly take place in the four primary garment industrial centres in India: Delhi, Tiripur, Chennai and Bangalore. Independent factory-level unions and collective bargaining in the Indian garment sector remain almost absent. Most trade unions in India are affiliated to the 12 labour federations and almost all of these are embedded within one of India's many political parties⁷. An exception is the independent federation New Trade Union Initiative (NTUI)⁸.

Under the 2001 Trade Unions Act, for the establishment of a union it has to represent a minimum of 100 workers or ten per cent of the workforce, whichever is less.⁹ Union membership in the garment sector in the region is uniformly low. Only 10% of the sample of workers from a 2011 Cividep report¹⁰ on garments sector unionization in the three cities of Bangalore, Chennai and Tirupur were found to be members of unions. In Bangalore, the rate of trade union membership is particularly low. Unionization is hampered by the resistance of employers and suppliers,

7 *Hammer 2010 in Ashok Kumar, Interwoven threads: Building a labour countermovement in Bangalore's export-oriented garment industry, 2014. http://www.academia.edu/7354187/Interwoven_Threads_Building_a_labour_countermovement_in_Bangalore_s_export-oriented_garment_industry*

8 <http://ntui.org.in/>

9 <http://survey.ituc-csi.org/India.html?edition=336#tabs-2>

10 <http://cividep.org/backdoor/wp-content/uploads/2013/01/garment-sector-and-unionisation-in-india-report.pdf>

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

and workers often desist for fear of harassment and victimization. Moreover, a floating workforce, where workers readily migrate from one factory to another instead of taking on the management, compounds the problem of low unionization. The interest from traditional labour unions to unionize in the sector appears to be relatively low as the membership base is considered limited and unstable. However, unions such as the Garment and Textile Workers' Union (GATWU)¹¹, Karnataka Garment Workers Union (KGWU), Garment Labour Union (GLU)¹² in Bangalore and the Garment and Fashion Workers' Union (GAFWU) in Chennai all attempt to address problems faced by workers and improve working conditions in the sector. Central unions like the All India Trade Union Congress and India National Trade Union Congress are also active in organizing in the garments sector.¹³

Experiences in Bangalore over the past five years have shown that unions can use international pressure to obtain success in specific struggles¹⁴. GATWU had in 2012 and 2013 got support from international organisations like the Workers' Rights Consortium (WRC) in the USA and Clean Clothes Campaign (CCC) in Europe to successfully pressure large manufacturers to pay workers earning more than the statutory Minimum Wage the inflation linked Dearness Allowance. It also received international campaign support in specific cases taken up successfully with the Labour Department against unfair labour practices of overtime work beyond the legal limits and use of forced compensatory work.

In the Sriperumbudur Special Economic Zone, workers' right to organize strikes and protests has been severely compromised by its declaration as a 'public utility'. Traditional trade unions find it difficult to organize workers, but Centre of Indian Trade Unions (CITU), Labour Progressive Federation (LPF), Anna Thozhil Peravai (ATP) and others have set up units in various factories in the area. Laws in Tamil Nadu allow the management of a company or factory to withhold recognition even if a union has a majority membership. Workers at Nokia formed an independent union after disassociating themselves from the LPF-associated union, which had been recognized by the management. At Foxconn, the popular CITU union has been able to prevent the company from shutting down operations in the Nokia SEZ. However, other factories in the SEZ have not been as accessible for major trade unions. To our knowledge there are no unions in existence at the Dell and Samsung factories.

11 <http://gatwu.org.in/>

12 <http://glu.org.in/>

13 <http://www.fairwear.org/ul/cms/fck-uploaded/documents/countrystudies/india/CSIndia2012.pdf>

14 http://www.rosalux.de/fileadmin/rls_uploads/pdfs/sonst_publicationen/Mohan_Man_Zimmerwald_7thFeb2014.pdf

The Employers and the Workplaces

HENNES & MAURITZ (H&M), SWEDEN

H&M is a multinational company based in Sweden founded in 1947 originally named Hennes, the Swedish word for 'hers' as it sold only women's clothing. In 1968 the company bought Mauritz Widforss, a hunting and fishing equipment brand to extend the portfolio to men's and children's wear. Over time H&M started to sell footwear, accessories, cosmetics and home furnishings as well. Today H&M is a registered entity on the stock market and is primarily owned by the Persson family and Stefan Persson was rated number 16 on the Forbes list of billionaires in 2014. It is comprised of six independent brands: H&M, COS, Monki, Cheap Monday, & Other Stories and Weekday. H&M has disclosed its supplier list which allegedly covers 100 percent of its total production volume¹⁵. Most of its suppliers are based in China (262) followed by Turkey (194), Bangladesh (165) and India (104)¹⁶. In 2013 H&M earned 150,09 Billion Swedish crowns before tax (ca. 17,35 Billion Euro). In the end of 2012 it employed 116 000 people worldwide (these were

¹⁵ H&M (2013): Our supplier factory list, <http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html> (04/07/2014)

¹⁶ Statista (2014a): Standorte der Zulieferer von H&M weltweit im Jahr 2013, <http://de.statista.com/statistik/daten/studie/261890/umfrage/standorte-der-zulieferer-von-hundm-weltweit/> (04/07/2014)

Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.

directly employed, i.e. garment, shoe and accessories workers are not counted in this figure) and had 3400 stores in 55 countries¹⁷. H&M is now considered to be the third largest clothing company in the world, after Spanish owned Inditex (Zara, Massimo Dutti etc) and GAP (USA). H&M's biggest market is Germany with a business volume of 3,60 Billion Euro and 418 branches in 2013. The company is the second biggest garment retailer in Germany¹⁸.

VARNER GROUP AS, NORWAY

The founder of Varner, Frank Varner opened his first shop in Oslo, Norway in 1962. In 1965 and 1967 another three shops were opened, with the use of the name Dressmann for the first time, followed by Dressmann stores openings all over the country. In the beginning of the 1980s Frank Varner took over the stock exchange listed company Jonas Øglænd AS. In 1985 the first Carlings store opened and was one of the largest Levi's distributors.¹⁹ Dressmann continually established new chains and stores and now Varner Group is not just the largest retailer in Norway, it has become an international company. Prime owners are three brothers of the Varner family. In 2010 it was present in 9 countries, more strongly present in Sweden and Finland, but also in the Baltic Countries, Germany and Poland²⁰.

In 2013 Varner owned 1.383 branches with 9,909 employees in Europe, its profit before tax in the same year was 167,21 Billion Euros²¹ (Varner-Group 2014b). Early in 2014 Varner published a list of the factories of its approximately 200 suppliers which are either owned or used by Varner's vendors. These factories are based in 20 countries; most of them are in China (232), Turkey (100), India (34) and Bangladesh (29)²² (Varner-Group 2014c).

17 <http://about.hm.com/en/About/facts-about-hm.html>, 04/12/2014

18 Handelsdaten (2014): Aktuelle Statistiken zu Hennes & Mauritz (H&M), <http://www.handelsdaten.de/themen/326/hennes-und-mauritz/> (04/07/2014)

19 Varner-Group (2014a): Our history, <http://www.varner.no/en/History/> (07/07/2014)

20 *ibid*

21 Varner-Group (2014b): Key Numbers, <http://www.varner.no/en/Key-figures/> (07/07/2014)

22 Varner-Group (2014c): List of factories, http://www.varner.no/Global/Varner/CSR/Downloads_CSR/Fabrik-kliester_Varner-Gruppen_vaar_2014_Eng.pdf (07/07/2014)

SAMSUNG ELECTRONICS, KOREA

Samsung was established in 1938 by Byung-Chull Lee in Taegu, Korea as an export business selling dried fish, vegetables and fruit to China. In the following three decades Samsung grew and went into food processing, textiles, insurance, securities and retail. In the late 1960s Samsung entered the electronics industry and in the mid-1970s the construction, shipbuilding and chemical and petrochemical industries²³. In the 1990s Samsung increased its global activities. Electronics and especially mobile phones and semiconductors became the most important source of income²⁴. In 2013 Samsung Electronics had 240.000 employees in 217 countries throughout the world in different kind of workplaces including 40 production subsidiaries, 51 sales subsidiaries and 34 research centers²⁵.

Samsung Electronics started operating in India in 1995 and became a leading provider of consumer electronics, IT and telecom products. Its operations began with its manufacturing complex in Noida (Uttar Pradesh) which produces color televisions (including 3D, LED and LCD televisions), mobile phones, refrigerators, washing machines and air-conditioners. In 2007 Samsung established a second manufacturing complex at Sriperumbudur in Tamil Nadu. This facility manufactures color and LCD televisions, fully automatic washing machines, refrigerators and air-conditioners. Samsung employs over 2000 workers in these factories in India²⁶. Samsung India is now the largest provider of TVs (LED, LCD, Slim) and Side by Side Refrigerators in India. It is the second largest mobile handset brand in India and leads in the area of smart phones²⁷.

Samsung India has two centers for research and development in India, one in Delhi and one in Bangalore with around 6000 employees. In Delhi software solutions for high-end televisions and digital media products are developed. The center in Bangalore develops telecom, wireless terminals and infrastructure, networking, digital printing as well as digital media and application software²⁸.

23 Samsung (2014a): *Our History*, http://www.samsung.com/us/aboutsamsung/samsung_group/history/ (11/08/2014)

24 *ibid*

25 Samsung (2013): *Samsung Electronics Sustainability Report 2013: Global Harmony with people, society and environment*, http://www.samsung.com/common/aboutsamsung/download/companyreports/2013_Sustainability_Report.pdf (11/08/2014)

26 Samsung (2014b): *Samsung Electronics in India*, <http://www.samsung.com/in/aboutsamsung/samsungelectronics/india/index.html> (07/07/2014)

27 *ibid*

28 *ibid*

Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.

DELL, USA

Michael Dell, at that time 19 years old, founded a business named 'PC's Limited' in 1984. The company expanded rapidly and set up its first international subsidiary two years later in Britain. The name was changed to 'Dell Computer Corp' at the end of the 1980s with which it went public. With the opening of a manufacturing center in Ireland in 1990, and the opening of a second manufacturing center in Texas in 1997, Dell could serve markets in Europe, the Middle East, Africa, Asia and the Americas. In 2013 Dell employed approximately 111.300 people in total²⁹.

Dell has been incorporated as Dell Computer India Private Ltd. in Bangalore in 1996. The company has now customer contact centers, research and development, IT, manufacturing and services offices in Bangalore, Hyderabad, Chandigarh, Delhi, Pune, Coimbatore, Noida and Chennai. The first research and development center was opened in Bangalore in 2004³⁰. In 2007 Dell established a manufacturing facility in Sriperumbudur, near Chennai, in Tamil Nadu, investing USD 30 million. With a market share of more than 15 percent it is today one of the three largest technology companies in India³¹. With more than 27.000 employees in sales and marketing, manufacturing, services, Research & Design, customer support and Dell IT, Dell India accounts for the company's largest employee base outside of the United States³².

Dell's Sriperumbudur factory opened with a capacity to produce 400 000 desktop PCs a year. The plant is on a 50 acre plot of land and Dell is reported to have been allotted another 100 acres to locate their supplier companies.³³ In this factory, Dell produces a desktop computer every three minutes and a laptop every eight minutes.³⁴ This adds up to 1.5 million units of desktops, laptops and servers per year according to the clip. Among the suppliers of Dell are Intel, Samsung, Seagate, Hynix and LG.

'The management made a conscious decision to hire only from rural Tamil Nadu', Ganesh Lakshminarayan, the then President and Managing Director of Dell India is quoted as telling The Hindu Businessline in January 2011³⁵. This was because the government wanted the unit to be located in a smaller city other than Chennai, but Dell chose Chennai for its infrastructure facility and compensated this by a policy of recruitment from rural areas of the state.

29 Statista (2014b): <http://www.statista.com/statistics/264917/number-of-employees-at-dell-since-1996/> (18/08/2014)

30 Dell (2014): About Dell, <http://www.dell.com/learn/in/en/incorp1/corp-comm/about-dell-india-country?c=in&l=en&s=corp&cs=incorp1> (30/07/2014)

31 *ibid*


32 Dataquest (2013): DQ Top 20 :#11 Dell India, <http://www.dqindia.com/dataquest/dq-top-20/197160/dq-top-dell-india-koshish-karne-waalon-ki> (18/08/2014)

33 <http://www.livemint.com/Companies/6Qz2iNOwyHe3forgbKN4zH/Dell-opens-Chennai-plant-first-in-India.html> (11/12/2014)

34 <https://www.youtube.com/watch?v=I2vpouoy0xI> (04/12/2014)

35 <http://www.thehindubusinessline.com/features/eworld/india-is-swell-business-dell/article1095379.ece> (11/12/2014)

Towards a Living Wage

 *Workers and their families should be able to afford a basic, but decent, life style out of a living wage. This standard of life must be considered acceptable by the community of which workers are part of and is related to the level of economic development of the society of the region. The point is that workers and their families should be able to live above the poverty level, and the wage income must be sufficient to enable them to participate in social and cultural life.”*

Anker: 2011

Richard Anker³⁶ provides a brief description of how a living wage can be estimated. SAI/SA8000 especially is working in line with Anker on their LW-methodology (see next chapter). According to him, to estimate the per capita cost of a basic, but decent, quality life style that is acceptable for the society and times, several estimates or assumptions are required:

³⁶ *A retired Senior Economist at the ILO, and presently a Visiting Scholar at the Political Economy Research Institute (PERI) of the University of Massachusetts, Richard Anker has written extensively on labour and development issues, such as occupational segregation, child labour, female labour force participation, poverty, decent work, and measurement of poverty lines and living wages.*

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*



Woman with roses and onions rushing through a market, Bangalore.

“The cost for this basic quality life style is typically estimated by adding up (1) cost of basic necessities such as a nutritious low-cost diet, basic housing with indoor toilet and electricity and adequate clothing and footwear; and (2) cost of other needs, such as transportation, children’s education, health care, child care, household furnishings and equipment, recreation and cultural activities, communications, and personal care and services. In addition he recommends a small margin above the total cost to provide for unforeseen events (such as illnesses and accidents. The total estimated cost per capita of a basic living standard is then scaled up to arrive at cost for a household using an assumption on the household size that needs to be supported. Finally, total cost for a household is defrayed over the number of full-time equivalent workers assumed to be working in a household.”

The way Anker describes a living wage resembles to the definition of the concept provided by Clean Clothes Campaign, which is a part of the Asia Floor Wage Alliance (AFWA)³⁷ (see more in the AFWA chapter):

“Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.”

37 <https://asiafloorwage.wordpress.com/>

More specifically, a living wage must:

- Apply to all workers, which means that there is no salary below the living-wage level
- Must be earned in a standard work week of no more than 48 hours
- Is the basic net salary, after taxes and (where applicable) before bonuses, allowances or overtime
- Covers the basic needs of a family of four (two adults, two children)
- Includes an additional 10% of the costs for basic needs as discretionary income³⁸

Below we outline some initiatives to support the struggle for higher wages to provide insight into the work being done to highlight the difference between insufficient minimum wages and wages that would ultimately deliver a dignified life for workers.

THE UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

The United Nations Guiding Principles on Business and Human Rights (UNGP) were proposed by UN Special Representative on Business & Human Rights, John Ruggie, and endorsed by the UN Human Rights Council in June 2011. UNGP establishes a principle of shared responsibility between the state and business. It refers to a company's responsibility to respect human rights, to adopt human right due diligence and assess, prevent and mitigate adverse human rights impacts they cause, contribute to or are directly linked to through their business relationships.

Though not a workers' rights or living wage initiative, but a progressive guidance document on wider human rights issues in the context of business operations, the UNGP support the ILO principles and instruments concerning rights at work. The Guiding Principles states furthermore that

“The responsibility of business enterprises to respect human rights refers to internationally recognized human rights – understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.”³⁹

³⁸ <http://www.cleanclothes.org/livingwage/tailoredwages/tailored-wage-report-pdf>, p. 7.

³⁹ Foundational Principle Number 12

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

According to UNGP states have an obligation to set the legal minimum wage on a subsistence level in order to protect the human right to a living wage, and business has to respect the human right to pay wages accordingly. However, the framework also clearly states that the responsibility to respect human rights 'exists independently of States' abilities and/or willingness to fulfill their own human rights obligations, and does not diminish those obligations. And it exists over and above compliance with national laws and regulations protecting human rights:

“In other words, in cases where the state fails to protect human rights – such as when the legal minimum wage fails to meet the minimum subsistence level (living wage) – business still has an obligation to respect the human right to a living wage and to take advantage of this state failure.”⁴⁰

INTERNATIONAL LABOUR ORGANIZATION AND DECENT WORK

The International Labour Organization (ILO)⁴¹ is a major global stakeholder dealing with labour issues. 185 of the 193 United Nation member states are members of the ILO. As a UN agency, it especially focuses on International labour standards and 'decent work' for all.

“Decent work” is a concept created by the ILO and used by the organization and other institutions. The term stands for the right of employment in conditions of freedom, equity, security and human dignity.

According to the ILO, Decent Work involves opportunities for work that are productive and deliver a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives, and equality of opportunity and treatment for all women and men. Decent Work measures aim to support the reduction and elimination of poverty.

The organization has a mechanism to register complaints against entities that are violating international rules but have no mandate to impose sanctions on governments. The ILO has a tripartite governing structure in which governments, employers and workers are all represented in the discussions and strategic planning. The aim is to create a free and open debate among the participants.

⁴⁰ "Tailored Wages", Clean Clothes Campaign (2014) <http://www.labourbehindthelabel.org/campaigns/itemlist/category/294-report>

⁴¹ <http://www.ilo.org/global/lang-en/index.htm>

The ILO Declaration on Social Justice for a Fair Globalization was adopted in 2008 by the tripartite representatives from all ILO member states⁴². The Declaration expresses the vision of the ILO's mandate and values in the era of globalization, and is the outcome of consultations in which the member states committed to support the ILO to reach its goals through the Decent Work Agenda. The Declaration institutionalizes the Decent Work concept and its rights-based agenda, placing it at the core of the Organization's policies to reach its objectives. The ILO organizes the International Labour Conference annually in Geneva where conventions and recommendations are crafted and adopted.

Through July 2011, the ILO has adopted 189 conventions which are recognized as international labour standards. Eight of these conventions are the Core Conventions and ratifying nations are legally obliged to follow them. In 1998, the 86th International Labour Conference adopted the Declaration on Fundamental Principles and Rights at Work.⁴³ This declaration contains four fundamental policies: The right of workers to associate freely and bargain collectively; the end of forced and compulsory labour; the end of child labour; and finally the end of unfair discrimination among workers.

These policies are reflected in the eight core conventions⁴⁴. The ILO asserts that its members have an obligation to work towards fully respecting these principles, embodied in relevant ILO Conventions. The ILO Conventions which embody the fundamental principles have now been ratified by most member states.

The United Nations Universal Declaration of Human Rights, Article 23(3) states: "Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection." The ILO, as an UN agency, also endorses in principle a living wage standard. The Preamble to the ILO Constitution notes that peace and harmony in the world require "the provision of an adequate living wage". The Constitution mentions the need to develop "...policies in regard to wages and earnings, hours and other conditions of work, designed to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection."⁴⁵ The ILO Convention 131 on Minimum Wage, article 3, states that the elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include the needs of workers and their families. It will take into account the general level of wages in

42 http://ilo.org/global/meetings-and-events/campaigns/voices-on-social-justice/WCMS_099766/lang--en/index.htm

43 <http://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm>

44 <http://ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

45 <http://www.cleanclothes.org/resources/publications/afw.pdf>

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

the country, the cost of living, social security benefits and the relative living standards of other social groups.⁴⁶

The ILO position is that the main mechanism for workers to gain higher wages is through an organized work force and collective bargaining. Wage increases can also be the result of revisions, periodically or irregularly, of the national minimum wage. The organization does not present a benchmark for a living wage, nor does it call upon brands or other stakeholders to present a timeline for the implementation for higher wages.

The World Day for Decent Work is celebrated globally on the 7th of October every year. On that day trade unions, union federations and other workers' associations take action to promote the idea of Decent Work. Actions vary from street demonstrations to music events or conferences held in many countries.⁴⁷

In 2014 ILO and H&M signed a partnership around the Decent Work Agenda. According to the partners the aim is to promote sustainable global supply chains in the garment industry. The agreement will include joint work on industrial relations and wages, training and skills development in factories H&M source from, as well as strengthening employers' and workers' organizations in the global garment industry.⁴⁸

THE UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact⁴⁹ was announced by then UN Secretary-General Kofi Annan in 1999 and officially launched at the UN Headquarters the next year. The Compact, with more than 10,000 business participants and other stakeholders from around 145 countries⁵⁰, is an initiative that seeks to encourage businesses around the world to act in ways that are socially responsible and sustainable, in keeping with ten principles in the areas of human rights, labour, environment and anti-corruption. As a multi-stakeholder initiative it involves companies, UN agencies, labour groups and civil society. It aims to be a discussion platform for the various stakeholders, but does not form a regulatory system within which companies can be held accountable for the violation of the ten stated principles. The Global Compact states that when companies acknowledge support

46 http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312276:NO

47 http://en.wikipedia.org/wiki/Decent_work

48 http://www.ilo.org/pardev/public-private-partnerships/WCMS_306151/lang--en/index.htm

49 <https://www.unglobalcompact.org/AboutTheGC/index.html>

50 https://www.unglobalcompact.org/HowToParticipate/Business_Participation/index.html

for the principles, “... This does not mean that the Global Compact recognizes or certifies that these companies have fulfilled the Compact’s principles.” The ten principles⁵¹ call for a company’s responsibility, e.g to support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses. It also focuses on the freedom of association and the recognition of the right to collective bargaining; no discrimination, forced labour or child labour. Finally, the Global Compact companies are expected to act in an environmental responsible way and work against corruption.

H&M is a signatory of the Compact, so is Samsung.

United Nations Global Compact does not use the term “living wage” as a core concept or demand that the companies define a wage benchmark that should be implemented within a certain time.

Global Framework Agreements

In recent years a growing number of companies have signed Global Framework Agreements (GFAs)⁵², currently numbering approximately 100 such agreements. A GFA is a long-term agreement signed by a global federation and a multinational company in which the parties commit to respect ILOs core conventions⁵³ and of the Global Compact labour principles⁵⁴. Apart from these fundamental requirements the agreements signed will carry sector or national specific clauses.

The emergence of GFAs was born out from the acknowledgement that in a globalized economy national collective bargaining agreements can no longer protect the interests of the workers employed by the same company, while carrying out their work in different countries. Hence the thought is that the GFAs will provide a set of internationally acknowledged standards that ensures the “floor” of protection; mutually accepted principals within the company regardless of which continent or region the company has its operations. The GFA could offer, under ideal conditions, an institutionalized support to workers in countries with weak labour legislation or where the implementation of worker’s rights is flawed. Ideally, the GFAs could also hamper social dumping⁵⁵ and relocation of production to countries with less favorable working conditions and wage levels.

51 <https://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

52 <http://www.industriall-union.org/issues/confronting-global-capital/global-framework-agreements>

53 <http://ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>

54 <https://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.htm>

55 <https://www.gsacket.se/sv/vi-gor/internationellt/ovrig-information/globala-ramavtal/>

Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.

According to ILO, GFAs do not substitute direct negotiations between companies and workers at the national or workplace level, but can provide a *framework* for those negotiations to take place in a constructive way.

To be utilized as a tool to protect worker's rights one precondition is the existence and of local trade unions which can benefit from an agreement in their work so resolve labour conflicts at the factory floor. A GFA should build on thorough information about the supply chain and at an early stage involve any trade unions affected. To ensure enforcement a binding dispute resolution process should be a part of the agreement. In addition, local unions need the power base to be able to bargain collectively and to build a process of social dialogue for further advances; increased labour protection and benefits beyond the GFA. GFAs, if they are used and monitored well, are better instruments than codes of conducts which are pure company statements. GFAs are considered by many as a potential power tool for local trade unions' influence and leverage but their real test will lie in whether they are able to deliver to workers what they have not achieved through national legislation and collective bargaining, namely actual improvements in labor standards⁵⁶. The current business model of "fast fashion" and rapid change of factories put one of several hurdles to the effectiveness of GFAs in the supply chain. Another challenge is the limited capacity, both on the global and local level, for its implementation and monitoring activities. It is beyond the scope for this report to reflect the different initiatives' assessment of the effectiveness of current GFA in promoting worker's rights at the factory level.

Inditex (with the brands Zara, Massimo Dutti, Pull&Bear and others) was the first garment company to sign a GFA. The aim of the global framework agreement (GFA) between the global federation IndustriALL and Inditex, the world's largest fashion retailer, is to promote decent work across the group's vast supply chain, covering over a million workers in more than 6,000 supplier factories worldwide⁵⁷. Under the GFA, which was originally signed with IndustriALL's predecessor the International Textile, Garment and Leather Workers' Federation in 2007, Inditex today recognizes IndustriALL as its global trade union counterpart. Both parties undertake to collaborate to ensure the sustainable and long-term observance of all international labour standards across Inditex's operations, including its suppliers. Inditex and IndustriALL renewed the GFA in 2014⁵⁸. Inditex' agreement comprises all workers, directly or indirectly employed (as with the company's suppliers in around 15 countries⁵⁹). This means that garment and shoe workers in Cambodia or China in principal have their rights protected through the same framework as shop employees and factory workers in Spain and Turkey. The Inditex GFA does not contain a binding dispute resolution mechanism.

⁵⁶ <http://www.globallabour.info/en/globalframework.pdf> Global Framework Agreements: a new tool for international labour. Liv Tørrres and Stein Gunnes. Fafo-report, 2003.

⁵⁷ <http://www.industriall-union.org/inditex>

⁵⁸ <http://www.industriall-union.org/industriall-renews-agreement-with-worlds-largest-fashion-retailer>

⁵⁹ http://www.inditex.com/en/sustainability/suppliers/suppliers_world

H&M has also signed a GFA⁶⁰ which covers their 116 000 directly employed workers (i.e. in stores, administration etc.). Currently 56% of H&Ms employees are covered by collective bargaining agreements⁶¹. Workers producing goods in the approximately 1900 factories⁶² are not covered by the agreement, nor does the H&M – UNI agreement have a binding dispute resolution mechanism.

The Varner Group has not signed any GFA. Hence the company does not offer their employees (directly or indirectly engaged) this standardized global protection framework but rely primarily on the local unions, if such exist, to bargain collectively on behalf of their members.

CLEAN CLOTHES CAMPAIGN AND ASIA FLOOR WAGE ALLIANCE

The Clean Clothes Campaign (CCC)⁶³ is an alliance of organisations in 16 European countries. The mission of the CCC is to improve working conditions and support the empowerment of workers in the global garment and sportswear industry. Members include trade unions and NGOs covering a broad spectrum of perspectives and interests, such as women's rights, consumer advocacy and poverty reduction. The CCC rely on a partner network of more than 200 organisations and unions in garment-producing countries to identify local problems and objectives. They cooperate to develop campaign strategies to support workers in achieving their goals. The Norwegian Clean Clothes Campaign platform was initiated by Framtiden i våre hender (Future in Our Hands) in 2007. The platform also consists of Changemaker (Norwegian Church Aid youth organisation) and Handel og Kontor (Norwegian Union of Employees in Commerce and Offices). The CCC educates and mobilizes consumers, lobbies companies and governments, and offers direct solidarity support to workers in their struggle for improved condition and higher wages. The solidarity and strategic campaign work done by CCC on wages is primarily based on the outcome of discussions and recommendations of the the Asia Floor Wage Alliance.

The Asia Floor Wage Alliance (AFWA)⁶⁴, initiated in 2005, is an alliance of trade unions and labour rights activists (among them the CCC). Central to their demands

60 [http://place.uniglobalunion.org/LotusQuickr/pub/PageLibraryC1257824003A7C09.nsf/0/5C2843EFEC1D451F-C12578AA00509174/\\$file/UNI-H%26M-en.pdf](http://place.uniglobalunion.org/LotusQuickr/pub/PageLibraryC1257824003A7C09.nsf/0/5C2843EFEC1D451F-C12578AA00509174/$file/UNI-H%26M-en.pdf)

61 <http://sustainability.hm.com/en/sustainability/commitments/be-ethical/about.html>

62 <http://sustainability.hm.com/en/sustainability/downloads-resources/reports/sustainability-reports.html#cm-menu>

63 www.cleanclothes.org

64 <https://asiafloorwage.wordpress.com/about/>

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

is a call for a living wage to be paid to all garment workers which led to the development of a way to calculate a living wage - a benchmark - for payment across Asia. The Asia Floor Wage is calculated in PPP\$ (Purchasing Power Parity \$), which is a hypothetical World Bank currency based on the consumption of goods and services by people, allowing the standard of living across countries to be compared, regardless of the national currency⁶⁵. In 2013 the Asia Floor Wage for India was INR 16 240 per month.⁶⁶

AFWA has developed the 'Roadmap to a Living Wage' to support and advice buyers in implementing a living wage. This approach has incorporated the four key areas of focus of CCC and its partners: worker empowerment, purchasing practices and benchmarks, collaboration and a strategy for delivering a living wage (CCC 2014, 15). The Roadmap consists of ten steps brands and retailers need to take to meet their obligation to pay a living wage:

1. Endorse the principle of a living wage in the company policy
2. Respect freedom of association
3. Enter into dialogue with unions and labour-rights groups
4. Publicly commit to a living-wage benchmark
5. Amend purchasing practices
6. Conduct pilot programs involving suppliers, trade unions and labour support groups
7. Advocate for governments of sourcing countries to endorse minimum living wages
8. Act in a transparent way
9. Collaborate with other stakeholders
10. Present a roadmap with a concrete timeline for payment of a living wage

To be able to calculate a living wage that can be implemented buyers need to inform themselves of the minimum wages paid by suppliers, prevailing industry wages, negotiated wages, all in relation to the Asian Floor Wage, determined and updated annually for the given region. This information is needed to rank them on a so-called 'wage ladder'⁶⁷.

A wage ladder is a benchmarking system that ranks wage levels in a factory in relation to the above mentioned various wage standards, specified for a country or region. This helps to define and measure a living wage. The main purposes of a

⁶⁵ <http://www.cleanclothes.org/livingwage/tailoredwages/tailored-wage-report-pdf>

⁶⁶ <http://www.cleanclothes.org/livingwage/asia-floor-wage-by-country>

⁶⁷ Bhattacharjee/Merk 2011, 8

wage ladder are a) the illustration of monetary values in relation to relevant and available wage standards in a specific country or region, b) the charting of factory wage levels relative to these wage standards and of c) the progress a factory has made in improving those wages. Moreover the wage ladder allows comparing wage levels among factories based in the same country or region.⁶⁸

Its creation and use consists of several steps: Collecting and charting wage standards in a country or region; collecting consistent and reliable data for the factory in question, with application to the country or regional wage ladder and finally, the developed wage ladder needs to be included in the broader wage improvement process and corrective action⁶⁹. The system could be used as a tool to “push factories up the ladder” to meet the Asia Floor Wage standard as well as to reward suppliers who pay a living wage, for example by preferring them over other suppliers. Buyers should state that the implementation of the Asian Floor Wage is a condition for engaging with a particular supplier.

ACTION AID’S LIVING WAGE MODEL

Action Aid⁷⁰ is an NGO based in UK which describes itself as a global movement of people working together to further human rights and defeat poverty, for all. Action Aid in 2011 developed a costing model for clothing brands and retailers. The aim is to identify the labour cost of garments so that brands will be able to cost a living wage into the overall amount they pay to suppliers. The methodology, called ‘Standard Minute Values’⁷¹, call for eight steps to be taken:

1. Establish the Standard Minute Value (SMV), the length of time needed to produce a particular garment.
2. Calculate the Actual Minute Value (AMV), based on the efficiency of the particular factory, which depends on the factory environment.
3. Identify the existing factory labour cost per garment.
4. Identify the local living wage (e.g. the Asia Floor Wage benchmark).
5. Work out the living wage rate per produced item.
6. Include the labour cost as a separate element of the cost sheet (the number of items ordered multiplied with the unit labour cost, should be non-negotiable).

⁶⁸ FWF 2011, 3

⁶⁹ FWF 2011, 4

⁷⁰ <http://www.actionaid.org>

⁷¹ http://www.actionaid.org.uk/sites/default/files/doc_lib/actionaid_garment_workers_booklet_.pdf

Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.



Women doing their purchases for the household.

7. Make 'pass through' of the living wage amount to workers a contractual obligation.
8. Invite and support workers to negotiate how the living wage amount is distributed, and promote mature systems.⁷²

If enough companies do this, production-country governments are given a clear signal that increasing the wages to a living-wage level will not risk loss of business. In a recent study⁷³ it was noted that some progress is being made in the fields of pricing: seven companies (out of 50 surveyed) is now pricing up what the labour cost is for each product, and including this as a separate cost in price breakdowns

ELECTRONICS WATCH

Electronics Watch⁷⁴ is a new initiative that focuses on public procurement of ICT hardware in the European market. Its aim is to get public sector buyers to use their

⁷² ActionAid UK 2011, 3-6/ http://www.actionaid.org.uk/sites/default/files/doc_lib/actionaid_living_wage_model_-_final.pdf

⁷³ <http://www.cleanclothes.org/livingwage/tailoredwages/tailored-wage-report-pdf>

⁷⁴ <http://electronicswatch.org/en/>

buying power to instigate change in the lives of electronics workers in low-wage production countries. Through pressure from these buyers, the initiative seeks to make manufacturers adhere to labour standards and regulations in low-wage countries, where electronics workers are subject to deplorable work conditions and rights violations.

The initiative is initiated by seven European non-governmental organizations, namely SETEM, Danwatch, People & Planet, SOMO, Südwind Agentur, Fudancja Centrum CSR, and WEED⁷⁵. Besides creating public awareness on labour and human rights abuses in the electronics industry, Electronics Watch will also seek to educate public buyers on ways in which they can control the ethical standards in their supply chain. The process of establishing Electronics Watch is still underway and a clear position on living wages for workers and a proposed strategy for how to obtain this goal still needs to be developed.

⁷⁵ http://electronicswatch.org/en/partners_1393

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Living Wage References in Workers' Rights and Sustainability Initiatives

In relation to garment workers' wages in developing countries, there is an increasing acknowledgement of the principle of living wage but the benchmark of such a wage is still debated. Hence, it is not yet fully embraced by most companies and multi-stakeholder initiatives, even those that accept the principle of a living wage. Those who are concerned with poverty alleviation of millions of workers in global supply chains can only hope that with increased campaigning pressure, the endorsement of the principle would lead to serious efforts at credible measurement of the living wage and early implementation.

Following are some initiatives that have accepted the living wage concept in principle. To contextualize, their position regarding wage payments are reproduced here and we can see that most of them rely on payment of statutory minimum wages as an indicator for compliance to labour standards of their member organisations. References to living wage are unclear and are mostly worded as an aspirational objective.

FAIR WEAR FOUNDATION

Fair Wear Foundation (FWF)⁷⁶, based in the Netherlands is a non-profit organisation that works with companies and factories to improve labour conditions for garment workers. FWF's 80 member companies represent over 120 brands, and are based in seven European countries; member products are sold in over 20,000 retail outlets in more than 80 countries. FWF is active in 15 production countries in Asia, Europe and Africa. It keeps track of the improvements made by the member companies. Through sharing expertise, social dialogue and strengthening industrial relations, FWF claims to enhance the effectiveness of the efforts made by companies.

The FWF demands its members commit to paying a living wage and the organization's charter directly refers to this:

“Payment of a living wage. Benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.”⁷⁷

FWF has adopted a Wage Ladder which is a benchmarking system used to chart and monitor wage levels in a factory relative to various available wage standards in a country or region.⁷⁸ However, as per 2014 the FWF has, so far, no action plan with clear milestones and a time schedule for its members to systematically implement a living wage.⁷⁹

None of the companies portrayed in this report are members of FWF.

⁷⁶ <http://www.fairwear.org/>

⁷⁷ <http://www.fairwear.org/496/labour-standards/5.-payment-of-living-wage/>

⁷⁸ <http://www.fairwear.org/548/login/>

⁷⁹ <http://www.cleanclothes.org/livingwage/tailoredwages/tailored-wage-report-pdf>

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

ETHICAL TRADING INITIATIVE

The Ethical Trading Initiative (ETI)⁸⁰, based in UK, is a multi-stakeholder initiative, i.e. an alliance of companies, trade unions and NGOs which promotes respect for workers' rights around the globe. ETI claims that its corporate members' ethical trade activities touch the lives of over 10 million workers each year. ETI explains its conception of ethical trade in these words: "Ethical trade means that retailers, brands and their suppliers take responsibility for improving the working conditions of the people who make the products they sell. Most of these workers are employed by supplier companies around the world, many of them based in poor countries where laws designed to protect workers' rights are inadequate or not enforced."

The ETI base code, to which its members are expected to adhere, states the following on the issue of living wage:

- Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.
- All workers shall be provided with written and understandable Information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid. (...)

The ETI code does not define the number of dependants to which a living wage should aim to support. To our knowledge ETI is still to come up with a living wage benchmark that would indicate what aspirational level they expect their members to recognize. ETI host a group of living wage actors, and conduct regular meetings on the subject. ETI published a list with resources, reports and researches on LW as well as their expectations towards the member companies on their web page⁸¹.

ETI has a sister organisation in Norway, ETI Norway⁸² in which both Varner Group and H&M Norway are members. Also ETI Norway has a working group to promote the discussions on what constitutes a living wage and what steps are needed for its implementation. There is an increased searchlight on the living wage issue and the initiative has initiated seminars, workshops and international information exchange on wage related matters. The Code of Conduct for ETI Norway is similar to that of ETI. Varner Group has been a member of the ETI Norway Board since 2008. H&M joined ETI Norway in Spring 2014.

⁸⁰ <http://www.ethicaltrade.org/>

⁸¹ <http://www.ethicaltrade.org/in-action/issues/living-wage>

⁸² <http://www.etiskhandel.no/>

FAIR LABOR ASSOCIATION

Fair Labor Association (FLA)⁸³, based in the US, is a joint effort of universities, civil society organizations and companies to protect workers' rights around the world. FLA is headquartered in Washington, DC, with offices in China, Switzerland and Turkey. It has more than 40 members, many of these well-known brands such as adidas, Nike, Fruit of the Loom, H&M, Puma and Patagonia. It claims to offer a collaborative approach where the organizations involved work to find solutions to labor issues as well as developing strategies and resources to help companies improve their compliance systems. It undertakes assessments, the results of which are published online, and a mechanism to address serious labor rights violations through the 'Third Party Complaint' process. In relation to wages the FLA code says:

“Every worker has a right to compensation for a regular work week that is sufficient to meet the worker’s basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract.”

FLA does not voice the term “living wage” strongly or clearly states the number of dependants it should support. Nor does it require a time plan for the implementation of substantially higher wages or define an aspirational benchmark.

H&M is a member of FLA but only apparel and accessories produced in China, Turkey and India are covered by the initiative. H&M’s compliance program in China is accredited by FLA.⁸⁴

SOCIAL ACCOUNTABILITY INTERNATIONAL/SA8000

The SA8000 auditing standard, offered by Social Accountability International (SAI)⁸⁵, is being used today by approximately 3000 factories across 66 countries and 65 industrial sectors. According to SAI it seeks to improve workplaces and communities by developing and implementing socially responsible standards. SAI convenes key stakeholders to develop consensus-based voluntary standards, conducts cost-benefit research, accredits auditors, provides training and technical assistance, and assists corporations in improving social compliance in their

⁸³ <http://www.fairlabor.org/>

⁸⁴ <http://www.fairlabor.org/affiliate/hm-hennes-mauritz-ab>

⁸⁵ <http://www.sa-intl.org/>

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

supply chains. On the subject of living wage, the SA 8000 guidance document (2008) states the following:

- The company shall respect the right of personnel to a living wage and ensure that wages paid for a normal work week, shall always meet at least legal or industry minimum standards and shall be sufficient to meet the basic needs of personnel and to provide some discretionary income.
- A “living wage” means one that enables workers, for their labour during a standard work week, to support half the basic needs of an average-sized family, based on local prices near the workplace.

As noted earlier SAI/SA8000 is working in line with Anker on their wage methodology. The initiative is also part of the living wage group under ISEAL Alliance, a global membership association for sustainability standards.⁸⁶

There has been raised concerns about the SAI methodology and its affectiveness.⁸⁷ The SA8000 calculation is based on worker’s own perception about what wages could meet their basic needs, which are used to assess household costs and the living wage. While the calculation method is public, the individual living-wage benchmarks in the audit reports are only accessible to the certified entity. Hence, lack of transparency makes it hard for workers to claim a wage which is line with the estimated living wage level.

In general, trade unions and NGOs has voiced scepticism against certification schemes based on social auditing claiming that social audits, which far too often marginalize workers and their organizations in the social audit process, are failing to deliver as a tool for assessing code compliance, particularly in determining violations of freedom of association, excessive and forced overtime, abusive treatment and discrimination of workers. Furthermore, as some of the audits are announced in advance it gives factory managers time to prepare for the audits, by instructing worker what to say or to present falsifying records, and thereby convey a false impression of working conditions.⁸⁸

⁸⁶ <http://www.isealalliance.org/online-community/resources/living-wage-methodology>

⁸⁷ <http://www.cleanclothes.org/livingwage/tailoredwages/tailored-wage-report-pdf>

⁸⁸ *Looking for a quick fix?* Clean Clothes Campaign, 2005, <http://www.cleanclothes.org/resources/publications/05-quick-fix.pdf>

FAIR WAGE NETWORK

The Fair Wage Network (FWN)⁸⁹, was created in 2009 on the initiative of Auret van Heerden, formerly President and CEO of the FLA, Geneva and Daniel Vaughan-Whitehead, responsible for wage issues at the ILO, Geneva. The aim of this network is to set up a process, involving NGOs, managers, workers' representatives and researchers to achieve sustainability regarding payment of wages. The network gives a general and extended definition for fair wages as below:

General definition: Fair wages refer to company practices that lead to sustainable wage developments.

Extended definition: Fair wages refer to wage levels and wage-fixing mechanisms that provide a living wage floor for workers, while complying with national wage regulations (such as the minimum wage, payment of wages, overtime payments, provision of paid holidays and social insurance payments), ensure proper wage adjustments and lead to balanced wage developments in the company (with regard to wage disparity, skills, individual and collective performance and adequate internal communication and collective bargaining on wage issues).

The definition is reflected in the FWN's "12 dimensions of a fair wage"⁹⁰, one of these a living wage. With the use of pilot projects and a mapping of wage levels at a number of factories the brands involved can gain insight into current wage levels for workers and identify the tools needed to increase the salaries. Still, FWN leaves it up to the companies involved to decide the timeline for implementing a "fair living wage" and it does not operate with a benchmark for what is considered to be "fair".

H&M, along with Puma, Adidas and a number of other multinational companies, is involved in Fair Wage Network.

H&M'S INITIATIVE FOR 'FAIR LIVING WAGE'

The Swedish retailer company H&M, leaning on the Fair Wage Network initiative, has launched an initiative to enable payment of what it calls 'fair living wage' to some 850 000 workers (60 % of total work force) in the supplier factories, by the year 2018. In its communication the company acknowledge that "everyone

⁸⁹ <http://www.fair-wage.com/>

⁹⁰ <http://www.fair-wage.com/en/statistics-on-fair-wage-dimensions-article.html>

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

who's employed by the fashion industry should earn enough to live on – whoever they are and wherever they work". However, this is still not the case for workers in many of the countries that they rely on for garment production. It goes on to define 'fair living wage':

"A fair living wage is an amount that can cover a worker's basic needs. This wage should be reviewed annually and negotiated with democratically elected trade unions."⁹¹

To achieve this goal, the company proposes to use a three pronged strategy focusing on "H&M's purchasing practices; a skilled workforce; wages that are annually negotiated and reviewed by democratically elected trade unions or worker representatives." H&M have initiated some pilot projects, among them some Role Model Factories in Cambodia and Bangladesh, to address low wages and overtime issues and to enhance social dialogue. The company has also started so called Social Dialogue Programs at some suppliers in Bangladesh with the aim to develop democracy at the factory floor and thereby lay the grounds for the establishment of trade unions able to negotiate for wage increases.

The Fair Wage Methodology, currently used in some of the H&M projects, consists of five phases, assessment, training, remediation, implementation and impact assessment. The Fair Wage Network is responsible for joint training of workers' representatives and employer management. Remediation is sought to be done through agreement between workers' representatives which may include trade unions, employer management and H&M. There is also provision for impact assessment, through worker interviews, management self-assessment and evaluation.

WORKERS' RIGHTS CONSORTIUM

The Worker Rights Consortium (WRC)⁹², is based in the US as an independent labor rights monitoring organization, conducting investigations of working conditions in factories around the globe. WRC aims to "combat sweatshops and protect the rights of workers who make apparel and other products." The WRC conducts investigations, issues public reports on factories producing for major brands and aids workers at these factories in their efforts to end labor abuses and defend their workplace rights. The WRC has the support of over 175 college and university affiliates and their primary focus is the labor practices of factories that make university-related apparel.

⁹¹ <http://about.hm.com/en/About/sustainability/commitments/responsible-partners/fair-living-wage.html> (04/12/2014)

⁹² <http://www.workersrights.org/>

WRC's model code of conduct while referring to wages and benefits requires its licensees to recognize that wages are essential to meeting employees' basic needs. It says: "Licensees shall pay employees, as a floor, wages and benefits which comply with all applicable laws and regulations, and which provide for essential needs and establish a dignified living wage for workers and their families." It defines a living wage as a "take home" or "net" wage, earned during a country's legal maximum work week, but not more than 48 hours. A living wage, according to WRC, provides for the basic needs (housing, energy, nutrition, clothing, health care, education, potable water, childcare, transportation and savings) of an average family unit of employees in the garment manufacturing employment sector of the country divided by the average number of adult wage earners in the family unit of employees in the garment manufacturing employment sector of the country.

THE ELECTRONIC INDUSTRY CITIZENSHIP COALITION

The Electronics Industry Citizenship Coalition (EICC) was founded by a group of electronics companies. It is a non-profit coalition of companies claiming to support the rights and wellbeing of workers affected by the global supply chain. EICC members agree to a common Code of Conduct. It engages in dialogue and collaborations with workers, governments, civil society and investors. The EICC is comprised of nearly 100 electronics companies directly employing over 5.5 million people. In addition to EICC members, thousands of companies that are Tier 1 suppliers to those members are required to implement the EICC Code of Conduct. Over 3.5 million people from over 120 countries contribute to the manufacture of EICC members' products, the EICC website claims. EICC code of conduct includes the following aspects of wages and benefits:

Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. The basis on which workers are being paid is to be provided in a timely manner via pay stub or similar documentation.

Both Dell and Samsung are members of the EICC⁹³ and as such responsible for implementing the EICC's Code of Conduct on wages in the Indian context. Numerous other well-known companies are also members on the initiative, among them Hewlett-Packard, HTC Corp, IBM, Foxconn, BlackBerry, Acer and Apple.⁹⁴

⁹³ <http://www.eiccoalition.org/about/members/> (16/12/2014)

⁹⁴ <http://www.eiccoalition.org/about/members/>

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Before moving on to the outcome of the research, i.e. in-depth interviews and group discussions with a number of workers in three garment factories and two factories producing electronic products for Western consumers, is it important gain some insight into the wage policy and wages in the Indian context.

Wages and Wage Policy in the Indian Context

“The state shall endeavor to secure by suitable legislation (...) all workers agricultural, industrial or otherwise a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and cultural opportunities”

Constitution of India (Article 43)

In any economy, wages perform a variety of functions. Wages can be seen as return for labor as a factor of production. They are an instrument for rational allocation of manpower between occupations, industries and regions. Productivity linked wages reward efficiency and are used to provide incentives to workers. Wages are a component of what makes up the national income. Change in the share of wages in national income affects the size of other income shares. We can see that wages perform three main functions in the economy, one related to productivity, the second to manpower allocation and the third to distribution of incomes.

With regard to wage policy, developing countries like India are caught in the conflict between the national goals of rapid economic growth and of social justice (Dayal: 1970). Accelerated growth demands a high rate of savings and investment. Whereas, policies and programs aimed at greater social justice require more equitable distribution of wealth through higher wages. According to Dayal, a process of reconciliation between the two objectives should begin with policy makers paying

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

adequate attention to issues of minimum wage, productivity, price stability, wage structure and the components of wages.

In India, a formal wage policy does not exist. However, wage policy like framework is available in ad hoc policy statements made by the government. In developing countries, wage policy as a rule will have five-fold objectives: establish minimum wages, ceiling on wage incomes, wage structure, price stability and export promotion.

Minimum wages can counteract the likelihood of workers being paid mere subsistence wages. It is also required to attract workers displaced from agriculture to opt for industrial employment. Wage ceiling is a measure to guard against uncontrolled rise of wage income in the economy which can lead to high inflation rates. Wage structure refers to a set of relationships between rates of pay for different groups of similar occupations. Rational wage structure is expected to be on the basis of factors such as skill, experience, mental and physical effort and hazards. It is widely recognized that developing countries lack a rational wage structure. Without price stability inflationary pressures can increase leading to not only damages to the economy as a whole but also to erosion of the real wages of workers. Export promotion is part of the strategy for economic growth of developing countries enhanced productivity is vital.

Tracing the development of wage policy in India, Dayal observes that in post-independence India, between 1948 and 1996, the emphasis was on the concepts of minimum wage and fair wage. The Minimum Wages Act was passed by the parliament in 1948 to empower central and state governments to fix statutory minimum wages in the so-called 'sweated' industries and occupations where exploitation of workers was more likely. A five-yearly revision of the minimum wages was provided for in the Act.

The Minimum Wages Act of 1948 allows two ways of fixing or revising minimum wages. In the committee method, committees and sub-committees are set up to make recommendations or conduct inquiries. In the notification method, the government publishes proposals and an official date in the Official Gazette. The various committees and sub-committees provide their recommendations before the official date, and all representations are collected by the same. The government then proceeds to revise minimum wages accordingly.

The weaknesses in the conception and implantation of the minimum wages law are manifold. Clear norms for implementation were not laid out in the Act; uniformity of applicability was lacking; minimum wage rates have not been regularly revised in many states. A complex matrix of terminology developed around the concept of minimum wage. For example, A Fair Wages Committee appointed by the central government in 1948 suggested three levels of wages - a Living Wage, a Minimum Wage and a Fair Wage.

In 1957, a new expression, 'Need-based Minimum Wage' got to be introduced into this debate. This was an attempt to physically quantify workers' needs in terms of food, fuel, housing, clothing, medical care etc. Though trade unions embraced this idea and have been pressing for its implementation, businesses kept opposing this and the government has been non-committal, even while endorsing the desirability of the need-based criteria.

The Indian Labour Conference is a tripartite body constituted to suggest ways and means of preventing disputes in industry. It is constituted by the Central Government, which nominates representatives of workers and employers in consultation with national workers' and employers' organizations.

The 15th Indian Labour Conference adopted the need-based concept in 1957. A resolution was adopted, the gist of which was that a minimum wage should be need based ensuring the meeting of the minimum human needs of the industrial worker. Certain norms were laid down by the conference to determine what this minimum wage should be:

- Minimum wages should be such as to satisfy the needs of the worker and his family (standard working class family should be taken to consist of 3 consumption units for one earner).
- Minimum food requirements should be calculated on the basis of a net intake of 2,700 calories for an average Indian adult.
- Clothing requirements should be estimated as per the per Capita consumption of 18 yards of cloth per annum.
- In respect of housing, the norms should be the minimum rent charged by the government in any areas for houses provided under the subsidized Industrial housing scheme for low-income groups.
- Fuel, lighting and other miscellaneous items of expenditure should constitute 20 % of the total minimum wage

However, the Central Government did not accept the norms and thus they are not legally binding. The Supreme Court added in a judgment that the minimum wages should also include: Children's education; medical requirement; minimum recreation including festivals/ceremonies; provisions for old age and marriages (these should amount to 25% of the total minimum wage).

The Five Year Plans, which had an important role in economic planning and development till recently, had emphasized various aspects of the wage policy: maintenance of skill-wage differentials; protection of the real wages of workers; raising productivity; special consideration for the low-paid, use of incentive payment systems; and relating productivity to wage increases. Dayal concludes his critique of the evolution of wage policy in India thus:

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

- Expressions such as minimum wage, living wage, fair wage and need-based wage are confusing and have cost implications which rule out possibility of implementation.
- Successive governments have been ‘indeterminate’ in their approach and have not consistently supported a definite and defined policy in relation to wages.
- The desirability of maintaining price stability, rationalization of wage structures and need for increasing productivity has been underemphasized.
- Clear guidelines and criteria have never been issued to wage setting institutions such as wage boards, industrial tribunals, labor courts and pay commissions.
- Wage fixing bodies have been operating on the basis of businesses’ ability to pay, comparability criteria of wage rates, existing industrial and regional wage differences, trade union pressure, and demand and supply factors.
- The government’s position on implementation machinery is also uncertain and unclear.

LABOUR LAWS APPLICABLE TO THE GARMENT AND ELECTRONICS SECTORS IN INDIA

The issue of trade unions in India is a complex one. Post-independence, the newly formed Indian government was seen as largely labour-friendly and supportive of unions, which had played a role in the Indian national movement for independence. In more recent decades, specifically in the post-liberalization period, trade unions have come to be perceived as a threat and a nuisance by increasingly business-friendly governments. However, unions affiliated to particular political parties continue to enjoy the support of specific parties, and are implicated within a system of compliance in which the interests of workers are often neglected for the sake of larger political interests and individual or group desire for power.

Labour is a subject in the concurrent list where both the Indian Central and State Governments are competent to enact legislations⁹⁵. As a result, a large number of labour laws have been enacted catering to different aspects of labour namely industrial relations, wages, fixation of working hours, conditions of service and employment and social security measures.

⁹⁵ <http://www.nacib.in/pdf/Labour%20Act.pdf> (28/11/2014)

The Factories Act, 1948 is applicable to the Workers in both garment and electronic sector. The Act is a comprehensive piece of legislation covering all aspects relating to factories including approval, licensing and registration of factories, the inspecting authorities under the Act, health, safety, welfare, working hours, employment of adults and young children, annual leave and penalties⁹⁶. Any manufacturing industry or establishment employing more than 10-20 workers comes under the purview of this Act.

The laws relating to wages are dealt with various legislations in India. In the case of garment and electronic sector the Minimum wages Act 1948 and Payment of Wages Act 1936 are prominent legislations. The Minimum wages Act, 1948 safeguards the interests of workers by providing for the fixation of minimum wages in certain specified employments. The Act covers all workers in agricultural, industrial and small-scale sectors. The minimum rate of wages fixed consists of a basic wage and a special allowance, known as 'Variable Dearness Allowance (VDA)' linked to the Consumer Price Index Number⁹⁷. The appropriate government depending on the nature of employment fix the minimum rates of wages to employees. The said wage rates are reviewed and revised if necessary, in an interval of maximum five years. The VD allowance is revised twice a year, once in April and then in October. Once the minimum rates of wages are fixed, it is the obligation of the employer to pay the said wages.

The Payment of Wages Act, 1936 Act ensures payment of wages in a particular form at regular intervals without unauthorized deductions. The Act applies to wages payable to an employed person in respect of a wage period if such wages for that wage period do not exceed INR 6500 per month or such other higher sum which, on the basis of figures of the Consumer Expenditure Survey published by the National Sample Survey Organisation of the Central Government⁹⁸. The state of Karnataka has also passed the Karnataka Payment of Wages Rules 1963 to enforce the Act within the state and Tamil Nadu passed The Payment of Wages (Tamil Nadu Amendment) Act, 1959.

In India, the Trade Unions Act. 1926 deals with the registration of trade unions, their rights, their liabilities and responsibilities as well as ensures that their funds are utilised properly. It gives legal and corporate status to the registered trade unions and it also seeks to protect them from civil or criminal prosecution so that they can carry on their legitimate activities for the benefit of the working class⁹⁹. However, there is no central statutory enactment for recognising trade unions but only for providing the registration of trade unions. This legislative gap on the

96 http://labour.pondicherry.gov.in/html/cifb/LRD_CIFB_Factories_Act.htm (30/11/2014)

97 http://business.gov.in/legal_aspects/wages_1948.php (28/11/2014)

98 http://www.delhi.gov.in/wps/wcm/connect/doiit_labour/Labour/Home/Acts+Implemented/Summary+of+the+Acts+Implemented/The+Payment+Of+Wages+Act,+1936 (01/12/2014)

99 http://business.gov.in/legal_aspects/trade_unions.php (28/11/2014)

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

issue of recognition of trade unions has resulted in employers in most states in India not being statutorily bound to grant recognition to trade unions (ILO: 2011).

Industrial relations in India are guided by laws like the Trade Unions Act (1926), the Trade Unions (Amendment) Act (2001), the Industrial Employment (Standing Orders) Act (1946), the Industrial Employment (Standing Orders) Rules (1946), the Industrial Disputes Act (1947) and the Plantation Labour Act (1951). However, industrial relations in India have seen a sea change since liberalization and globalization in the early 1990s, and have largely been defined by a shift in prevalence from permanent to contract labour. This has completely redefined relations between employers and the employed, putting workers at risk of losing their jobs at the first sign of conflict or resistance.

In order to make provisions for investigation and settlement of industrial disputes and for providing certain safeguards to the workers the Industrial Disputes Act, 1947 has been enacted. The Act defines an industrial dispute as a conflict or difference of opinion between management and workers on the terms of employment. It also provides for the procedure for retrenchment and lay-off and the compensation to be given to the worker in such cases. The Act also explains the unfair labour practices as any act of the employer to interfere with, restrain workmen in the exercise of their rights to organize, from joining or assisting a trade union among others are deemed as unfair labor practice as per the Industrial Disputes Act, 1948.

Under the Industrial Disputes Act, 1948, provisions have been made for the setting up of Works Committees that can secure and preserve good relations between the employer and workers, comment upon matters of interest to both, and resolve any material difference of opinion with respect to the same. Health and Safety Committees similarly are meant to ensure that the health and safety interests of workers are protected. The Act rules that the number of representatives of the workers will not be less than the number of representatives of the employer, and that the representatives of the employer should as far as possible be in direct touch with the working of the establishment. Moreover, the constitution of the committee is to be such that all categories and groups of workers are afforded representation within it.

The Industrial Employment (Standing Orders) Act, 1946 makes it obligatory for employers of industrial establishment where 100 or more workers are employed to clearly define the conditions of employment, by way of standing orders/services rules and to make them known to the workmen employed¹⁰⁰. The employer has to act in conformity with the certified standing orders in dealing with the day-to-day affairs of the workmen. Certified standing orders have the force of the law like

¹⁰⁰ http://www.delhi.gov.in/wps/wcm/connect/DOIT_Labour/labour/home/acts+implemented/summary+of+the+acts+implemented (25/11/2014)

any other enactment. Both the governments of Tamil Nadu and Karnataka have formed state rules for the application of the central Act in their respective states.

In providing social security measures the Employees State Insurance Act 1948 and the Employees Provident Fund and Miscellaneous Provisions Act, 1952 plays central part in both garment and electronic sector. The Employees State Insurance Act 1948 provides an integrated need based social insurance scheme that would protect the interest of workers in contingencies such as sickness, maternity, temporary or permanent physical disablement and death due to employment injuries¹⁰¹.

All employees covered under the Employees State Insurance (ESI) Act are entitled to sick leave, which can only be claimed with the submission of a medical certificate from the ESI dispensary/clinic. Female workers are entitled to three months of paid maternity leave, during which time their salaries are paid by the factory or ESI. However, this important health insurance and social welfare measure often fails to benefit workers due to bureaucratic delays and inefficiency, as well as prohibitive distances between the dispensary and the place of work or residence.

The Act covers both the electronic and garment sector in India. Currently all employees including casual, temporary or contract employees earning wages less than INR 10 000 per month are covered. The families of workers are also covered by the scheme. The employer should get his factory or establishment registered with the ESI Corporation and upon registration, the employee receives an identity card. All contributions paid by the insured workers, their employers and income from other sources are pooled into a common fund called the Employees State Insurance Fund¹⁰². The deduction for ESI stands at 1.75% of the worker's salary per month.

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 is intended for making provisions for the future of industrial workers after their retirement and for their dependents in case of death¹⁰³. The Act provides for the institution of provident funds, pension funds and deposit linked insurance fund for the employees in the factories and other establishments. As per the Act, the contribution payable to the schemes by the employee is set at 12 % of his basic pay and dearness allowance.

101 <http://www.hp.gov.in/dhsrhp/ESI%20Scheme.pdf> (25/11/2014)

102 <http://www.hp.gov.in/dhsrhp/ESI%20Scheme.pdf> (26/11/2014)

103 http://business.gov.in/legal_aspects/provident_fund.php (01/12/2014)

THE RESEARCH



Wages and Working Conditions in the Garment Sector in Bangalore

To collect material for this research Cividep conducted individual interviews in August 2014 with 45 garment workers out of whom 43 were women and two were men. Three focus group discussions were conducted in September 2014, eight female and three male workers participated from Factory A, 15 female and seven male workers participated from Factory B and 16 women workers attended the group discussion in the case of Factory C.

This chapter will analyze the data obtained during the individual interviews and focus group discussions with workers and give an overview of the working conditions in factories A, B and C as well as the consumption and expenditure pattern of garment sector workers from these factories and their inability to meet basic needs due to wages that are below a living wage.

FACTORY A – SUPPLIER TO VARNER GROUP

Factory A is situated in Rural Bangalore and employs more than 3000 workers.

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Conditions of Employment

Workers in Factory A reported they are under constant pressure to achieve high production targets, have to work for more hours than the legally stipulated working hours, face harassment from their supervisors and managers and are under the constant threat of being terminated from employment.

Workers are compelled to work continuously without adequate breaks. One worker said, 'We are subjected to (unrealistically) high production targets'. For example, tailors have to stitch 70 to 100 shirt collars in an hour. Workers say that the target fixed is not realistic and only 40-60 collars can be stitched in an hour. Though no target is fixed for the workers in the packing and finishing sections, the work load assigned to them is high, too.

The targets in the sewing section are fixed by the management. Workers have requested the company management to reduce the targets, but their requests were not accepted. Supervisors and production managers allegedly intimidate the workers and humiliate them publicly to pressurize them to achieve high targets. They abuse them verbally by calling them insultingly as 'donkey' and tell them that it is better for them to rear pigs at home rather than working in the factory. If targets are not achieved, workers are forced to do overtime work on Saturdays and Sundays.

Workers from factory A at the Focus Group Discussion session.



Workers who refuse to complete targets are said to be terminated from employment and one worker was reportedly terminated for not completing the target. Such arbitrary termination is illegal as Industrial Disputes Act 1947 has laid down procedures to be followed in case the company wants to retrench workers¹⁰⁴. Further, workers can be terminated only for the reasons as listed out in the standing order of the company formed under Industrial Employment (Standing Orders) Act, 1946¹⁰⁵. The standing order of the company is a legal document endorsed by the Labour Commissioner.

It is said that leave is often denied though workers are eligible for 14 days of leave per year. The company appears to have framed its own rules with respect to leaves. Workers must obtain permission one week in advance even in case of sickness and if leave is taken even for one day without permission they are scolded and shouted at. One worker said that the company, through a detailed investigation, which is often very stressful for the workers, verifies whether the worker has given a genuine reason. Two workers said that they are sent to the human resource department and questioned whenever they apply for leave. One interviewed worker and nearly one half of the workers during the focus group discussion said that workers are made to stand in front of the production manager for hours together before given permission for leave. Application for leave should not normally be refused by the employer as the provision laid down in Factories Act, 1948¹⁰⁶ as leaves are meant to meet contingencies of workers such as sickness.

Ten out of 15 workers interviewed have not received appointment letters from their employer. An employment relationship is contractual and the terms should be written down in some form. Workers who have received appointment letters have very little understanding of the terms of employment. Only three workers could recall that the appointment letter contains details such as probation period, salary and duties of workers. Daily wages, salary increments, leave eligibility, social security benefits, promotions, leave payment and bonus details are said to be communicated only orally. One worker who is involved in a trade union said that the company is violating many of the terms of employment. For example, the employer terminates workers from employment arbitrarily without holding any enquiries. Apparently, the company has not made any major effort to educate the workers on the terms of employment and other benefits.

Most workers are not aware of the period of maternity leave and only one worker knew some aspects of it. They do not know the entitlements that they are eligible for when they resign from employment, e.g. that workers are eligible to reclaim their provident fund contributions along with the employers' contribution as

104 Section 25F of Industrial Disputes Act (IDA), 1947

105 Rule 13 of the Industrial Employment (Standing Orders) Central Rules, 1946 provides for the termination of Employment in an appropriate manner

106 Section 79 to 84, Factories Act 1948 that provides for annual leave with wages

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

also gratuity (if the worker has completed five years of service), bonus and leave payments.

Two workers said that food is provided free of cost at the factory canteen. During a group interview, workers alleged that the free canteen food provided by the company is of poor quality and insufficient in quantity (less quantity of vegetables and pulses are served). In spite of the free canteen facility, many workers carry their own food.

Working Hours and Wages

The number of working hours in Factory A seem to be driven by the work orders. As a result, workers have to work for more than the legally permissible hours of work and overtime work is said to be compulsory. Wages earned even after adding overtime payments to the normal wage are not sufficient to meet living expenses, workers say. The company claims that they have increased wages earlier this year, whereas this increase was brought about by a state sanctioned increase in minimum wages in April 2014. Workers allege that there is discrimination in the payment of wages and provision of transport facilities, where those who play favorites with supervisors and managers get a better deal.

Working hours are 9 hours per day and 45 hours per week, working normally 5 days in a week. Work is from 8.15 am to 6.15 pm. If there are five Saturdays in a month, workers have to work on two of them, while if there are four Saturdays, they are asked to work on one of them. The time exceeding 48 hours of work in a week is considered as overtime and workers are paid double the hourly rate. This is in accordance with the provisions in Factories Act, 1948¹⁰⁷. However, workers say that many times they have to work for 10 to 15 days at a stretch without leave.

Each working day, the lunch break is for 30 minutes. In the morning and in the afternoon they have 15 minute tea break. Workers report they are scolded and humiliated by the supervisors and managers if they return even a minute late to work after the break. Security guards are stationed near the canteen to make sure that they get back to work on time. Workers said they always have to eat in a hurry and many workers eat less food and drink less water as the lunch break is only for half an hour and the high production target imposed by the supervisors and the managers forces the workers to get back to work quickly.

The average monthly wages of garment workers is INR 6701. On an average, 4 household members depend on this income (See Table 2). Through overtime work, workers earn an additional income of INR 500 to INR 2000 per month. To provide for a decent living and to be able to save a small amount for the future,

¹⁰⁷ Section 59 of Factories Act, 1948

workers estimated that a minimum monthly household income of INR 16 667 (on an average) is required (See Table 2). Hence, from the workers' perspective they would need wages at least double of what they currently earn.

There is discrimination in the payment of wages and provision of transport facilities, workers claim. Workers, with similar designation and skills, newly recruited from distant places are brought daily by bus and are paid higher wages. The wage range is INR 8000 to INR 9000. They are also provided with free transport facilities. Workers from nearby areas are paid less and transport facility is not provided. Local workers spend INR 450 to INR 720 per month on transport. The interviewed workers are aware that the company is paying higher wages to workers recruited from distant places to attract manpower due to local manpower shortages. However, they are unhappy that local workers are paid lesser than those recruited from faraway places.

Those who demand wage increment are watched closely by the supervisors and management. They are instructed not to 'instigate' the workers and are threatened that they will be dismissed from work if they discuss anything related to increase in wages.

Workers explain that without the monthly overtime work they would not be able to meet their family expenses. Through overtime workers can earn up to INR 2000 per month during high production periods where 6 to 18 hours of overtime work per week is assigned to them. They are paid at double the hourly rate, which is INR 63 per hour currently.

However, workers are distressed by overtime work and said that they are forced to work overtime for one to three hours per day during peak production time and this upsets their personal life and their duties at home such as taking care of their children, cooking, washing their laundry and buying groceries. Workers who refuse overtime work are not given leave and a higher production target is assigned to them as a means of punishment. Workers expressed frustration of having to work overtime in order to be able to meet their basic needs and sustain their livelihood.

Freedom of Association

According to workers, the factory management is wary of trade unions and does not countenance any attempt to negotiate for better wages and working conditions. There is no trade union in the factory. Workers say that it is difficult to organize themselves due to the management's hostile attitude to trade unions. Whenever workers have raised a demand or a complaint regarding working conditions, the company viewed these as unionization attempts and therefore a threat to the company. Allegedly, those workers who initiate discussions on better working conditions are victimized, threatened and dismissed from work.

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

The Trade Union Act, 1926 does not make it mandatory for companies to recognize factory based trade unions¹⁰⁸. However, employers are not allowed to stop workers from joining or forming trade unions either inside or outside the factory and any punishment or victimization for the sole reason that workers have joined a trade union should be treated as an 'unfair labor practice' under the Industrial Disputes Act, 1947¹⁰⁹. Further as per the Act, any attempt of the employer to interfere with, restrain from or coerce workmen in the exercise of their rights to organize, form, joining or assisting a trade union, or to engage in concerted activities for the purposes of collective bargaining or other mutual aid or protection etc. are deemed as unfair labor practice.

Worker's suggestions for improvements in wages, facilities and working conditions are rejected and it is said that they are warned by the supervisors and the managers that disciplinary actions will be taken against them. Workers who are perceived to be more assertive are not allowed to become members of mandatory committees such as Works Committee¹¹⁰, Anti-Sexual Harassment Committee and Health and Safety Committee¹¹¹. Workers are not allowed to express grievances to the representatives of brands during social audits.

Workers said that one reason why their leaves have been denied, terms of employment is unclear and the production targets are high is because there is no representative organization of the workers who can negotiate with the management. They feel that their right to protect themselves against violations has been denied as they are not allowed to form trade unions.

Health and Safety and Social Audit

In Factory A, workers are exposed to health risks and their health insurance coverage is neither adequate not comprehensive.

Workers are not allowed sufficient number of toilet breaks. If workers use toilets more than three to five times during a work shift (of eight hours) they are abused and humiliated by the supervisors or managers. They are allowed just about five minutes to use the toilet each time and they have to rush back. In order to meet the high production targets workers drink less water to avoid having to go to the toilet. Toilets are locked after 5.30 pm to prevent overtime workers from using them. Workers report that cotton dust is generated in the factory mainly in the cutting section. Caps and gloves are provided by the company but the supply is

108 <http://www.helpline.law.com/employment-criminal-and-labour/TDUA/trade-unions-act-1926.html> (26/11/2014)

109 Rule 1 and 1 (a) of Vth schedule of Industrial Disputes Act, 1947

110 Section 3 of Industrial Disputes Act, 1947

111 Sec 41-G of the Factories Act, 1948



A garment worker and her daughter clean the dishes after a meal.

irregular. Sufficient quantity of filtered drinking water is provided on every floor. However, workers have complained about insects in the canteen food.

There is no ESI coverage in the area of Rural Bangalore. Industries which are not within ESI jurisdiction are allowed to opt for private medical insurance, which seems to be the preferred choice of Factory A's management. The company has provided a private health insurance policy to the workers. But the coverage of private insurance policy is not as comprehensive as the ESI facility. The health insurance coverage under ESI scheme is broad-ranging and will cover the costs of many types of diseases and health problems for both workers and their dependents. The private health insurance is providing health benefits up to INR 50 000 and only the worker is entitled to the benefits not his or her dependents. Workers have to get admitted in the hospital for 24 hours in order to receive health care services. INR 600 per month is deducted from workers salary which is much higher than the deductions for ESI which is usually around INR 110 to INR 190 per month. Workers are not satisfied with the health insurance as treatment for minor ailments like fever and cold are not provided and the family members are not covered.

It is possible for the company to enrol the workers with the ESI facility in Bangalore. This would be more beneficial for the workers and their families than a private health insurance. According to Garment Labour Union (GLU), the factory management and the workers can file applications to the ESI Corporation and demand for ESI facility in Rural Bangalore as many factories are located there. Workers

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

said that they will demand/request the management to register them with the ESI Corporation.

Workers during focus group discussion said that audits are conducted by brands generally once in three or four months.

Workers interviewed individually mentioned that audits are conducted 3 to 4 times in a month. This discrepancy in the information is due to the fact that the questionnaire did not differentiate between internal and external audits.

Workers said that they do not get adequate opportunities to talk with auditors or raise complaints. They said during audits buyers talk to workers in the presence of the factory management. Buyers and external auditors enquire about the facilities provided to the workers such as safety equipment, health care, first aid, ventilation and water supply. But workers do not express grievances as management personnel are present. Since workers who are interviewed by social auditors are selected by the company management they do not share grievances faced by most of the workers.


Well before the audit team visits the factory, workers say they are instructed to mention only positive working conditions. For instance, they are instructed to inform the auditors that overtime work is only 6 hours in a month. They are asked to wear masks, ID cards, caps and display safety equipment and clean the workplace. Managers and supervisors threaten workers that buyers might cancel orders if they express grievances.

Workers do not know where the code of conduct is posted and they are not aware about the safety standards and the location of the first aid box.

Consumption, expenditure, indebtedness and future prospects for workers

The average monthly wages and household incomes of garment workers are INR 6701 and INR 10 950 respectively (see Table 2). Through overtime work, they earn an additional income of INR 500 to INR 2000 per month.

Workers in Factory A say that the wages earned are not enough to meet their basic needs and they are perennially trapped in debt. The cost of food commodities, house rent, children's education, medical care and transportation have increased, they tell. Due to lack of ESI facility, workers rely on government and private health care systems to treat sick family members. The health insurance provided by the factory covers only the workers and hence they have to spend on health care of the rest of the family members. Workers say that they are unable to meet these costs with their current wages. For instance, one worker said:

 *My husband is chronically ill. He suffers from kidney disease and the treatment costs are INR 4000 per month. I had to borrow money as I could not meet the costs with my salary.*

Another worker who has worked for five years in the factory is earning only INR 6500 per month, which is just according to minimum wages. To make ends meet workers borrow loans from money lenders who charge monthly interest at the rate of 3 to 5% per month. This is high when compared to the annual interest of 9% to 13% charged by public sector banks.

Interviewed workers not only borrow money to meet health needs but also to buy groceries and vegetables, repaying loans and for their children's education. They have to take loans as frequently as four times in a year and the loan amounts ranged from INR 30 000 to INR 250 000.

Money lenders are the most preferred choice for borrowing as they lend loans quickly and do not ask for sureties etc. They are flexible if repayment gets delayed and workers can repay the loan in monthly installments. The next preferred choice is 'pawn brokers' where workers borrow loans by mortgaging their gold ornaments. Very often workers are unable to pay the monthly installments due to which the interest is compounded and they end up paying only the interest amount for a few months. The principal amount is paid later. It takes a long time to clear the loans and it is difficult for them to get out of the debt trap. Often the few valuables they have are lost due to inability to pay principle amount and interest to recover the pawned articles.

Workers say that their future prospects looked bleak and without any ray of hope. One worker pointed out that 'It is difficult to lead life with the present salary'. Another worker said 'Life will get worse. What we earn is sufficient only to pay interest on the loan'. Workers feel that low wages and high inflation already have serious impacts on children's education and their health as the costs of essential goods and services have increased whereas their salaries have remained the same. They are unable to save anything at all for the future to educate their children. One worker had to send her fourteen year old son to work in an automobile garage. Two of the workers interviewed stitch clothes at home to earn some extra money.

Lack of training opportunities for better skills and for career growth within the factory is another problem. The company has no system of promoting workers to higher positions and lacks a planned wage structure which is important for skill differentiation and for rewarding productivity. Female workers are not promoted as supervisors it is said.

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Younger and more educated workers said that they would prefer to work in shopping malls and not under such exploitative conditions. Three workers stated that they will go back to their native places and work in agriculture. Ten workers said that they will continue to work in the garment sector as they are uneducated and do not possess any other skills. Two workers want to start stitching clothes at their home as a small private enterprise of their own.

FACTORY B – SUPPLIER TO H&M

Factory B is a large factory and employs more than 3000 workers. It is situated in the Bangalore area.

Conditions of Employment

Working in Factory B is described as strenuous and workers are not allowed to complain about the working conditions according to interviewed workers. High production targets, compulsory and unpaid overtime work and long working hours are the norm. Leave entitlements are often denied and workers are forced to work on holidays and rest days. Money is deducted from the wages if workers come late to work.

Production targets are said to be high. The management expects workers to produce 60 pieces of sleeves and 90 to 120 pieces of collars in an hour. According to the workers only 70-90 pieces of collars and 40 pieces of sleeves can be stitched in an hour without too much stress. To ensure completion of targets, supervisors monitor production on an hourly basis. Workers are abused verbally using foul language and they are asked to resign if they do not achieve the targets. Pieces of fabric have reportedly been thrown in their face by the supervisors when they commit mistakes. Targets are deliberately increased as a 'measure of enhancing efficiency' but the purpose is to increase productivity at any cost, workers said. Nearly every day, about fifteen minutes of overtime work that workers need to complete the minimum targets are unpaid.

In principle workers can refuse overtime work, but in practice this is not possible. Workers who refuse overtime work are not given leave and a higher production target is assigned to them as punishment, according to the interviewees. Supervisors ask them to engage one of their colleagues to work overtime if they themselves are not able to complete the target. Workers say that it is the duty of the supervisors to engage other workers in their absence, but the burden is thrust upon them. Convincing colleagues is tough and these efforts entail additional

work. Hence, workers stop refusing overtime work after some time and continue to work without adequate rest.

Workers allege that the company is not providing adequate information on workers' entitlements. For instance, most workers do not know the hourly rate for overtime work. Though workers are eligible for fourteen days of leave per year, they have to plead to obtain leave. During peak production time leave is not granted by the factory management.

Appointment letters are given both in English and Kannada and almost all of the interviewed workers have read them. Workers have only a vague understanding of the terms of employment as they do not know the legal terms used.

Unspecified amounts are deducted from workers' wages if they come late to work for two or three times in a month. Since the wage that they earn even after working overtime is low, deduction of even INR 126, which is half a day's wage, as penalty for coming late to work, makes it difficult for them to meet monthly expenses.

Workers receive benefits such as provident fund, gratuity (if they worked for 5 years), and bonus and leave payments when they resign. However, there are delays in the payment of provident fund dues to workers. Though it is paid by the Employees Provident Fund (EPF) office, workers say that they are not given proper information by the company management and hence they do not know how to follow up.

Workers from Factory B voice their concerns, wishes and hopes.



Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Most workers, i.e. 13 of the 16 interviewees are aware of the period of maternity leave and most of them know that women are entitled to three months of leave.

Working Hours and Wages

Working hours are eight per day and 48 hours per week. Production volumes are high almost throughout the year and hence workers face high work pressure. Six workers interviewed said that due to the continuous orders and they have to work all through the year without adequate leaves. Very often they are forced to work overtime, they say.

Workers get a break of one hour a day in which half an hour is for lunch and another half an hour is for two tea breaks of fifteen minutes each. Workers tell that supervisors force them to eat their lunch quickly and get back to work to complete the targets.

Average monthly wage is INR 6913 per month (See Table 2). For unskilled workers it is INR 252 per day which is the minimum wage in Karnataka for the garment sector. Through overtime work, they earn an additional income of INR 500 to INR 1500 per month. Workers say that there is a considerable gap between the wages earned and the amount required to lead a decent life. Workers estimated that on average INR 15 133 (double the wage they currently earn) will be required to lead a decent life in Bangalore and save some amount of money for their future.

In Factory B, like in Factory A, there is a difference in wages depending on whether the worker is local or from remote area of Karnataka. Workers say that they are not happy with the company's practice of paying higher wages to workers who are recruited from distant places. Besides, the wages of the newly recruited workers are almost as high as those of the workers who have been working in the factory for five to eight years. Workers from distant places and newly recruited workers are paid INR 8000 to INR 9000 per month which is creating discontent among the workers.

A few workers in this factory are active in a trade union that functions outside of the factory. These workers have been demanding higher wages since 2007. Workers say that the company claims it is working under loss and hence cannot afford to increase wages but workers doubt that this is true. Union members who mobilized workers to demand for higher wages were terminated illegally, workers say.

Ten to twelve hours of overtime work is assigned in a month and is said to be paid at double the hourly rate. Overtime is 12-24 hours in a month during peak production periods. Workers are unhappy with forced overtime work as they are not able to choose their rest and leisure days. They say that working overtime is resulting in family conflicts as they are unable to spend quality time with their children,

spouses and other family members. The free transport in the form of mini buses provided by the company are overcrowded and unsafe, workers say.

Freedom of Association

Interviewed workers, some of whom are active members of trade unions such as Garment Labour Union (GLU) and Karnataka Garment Workers Union (KGWU) which function outside the factory and other senior workers alleged that the company is discouraging workers' efforts to organize themselves. The company managers are advocating that unions are unnecessary and grievances can be solved through direct negotiations between workers and the management. But workers say that the company is reluctant to negotiate with workers on any of their legitimate demands. For instance, they have been demanding for salary increments since 2007 and the company has not held even one negotiation meeting with workers on this issue.

There is no trade union within the factory. Half of the workers interviewed said that they were discouraged by the supervisors and the managers from becoming members of GLU or KGWU. Active union members have been harassed by increased targets and have been assigned odd jobs so that they perform poorly, get frustrated and finally quit work. Workers have been terminated when they could not achieve the impractically high production targets. They say they are often verbally abused and are, for various reasons, under the constant threat of being terminated from employment.

According to GLU activists and three KGWU members, a few of their members who were working in the factory and organizing workers outside the factory were arbitrarily terminated. Respondents during the focus group discussions said that workers who are actively engaged with trade unions or who are merely in touch with them are discouraged from becoming members of mandatory committees (such as Works Committee, Health and Safety Committee) under the Factories Act 1948. Workers say that such measures adopted by the management have created fear among workers and they are scared to get involved in union activities.

Health and Safety and Social Audit

The factory has enrolled workers in the ESI facility as required by law and identity cards have been provided. Most of the workers are aware of ESI benefits. INR 110 to 170 per month is deducted for ESI and INR 600 to INR 780 per month is deducted for provident fund (EPF) from the workers' wages.

Even though workers are eligible for fourteen days of leave per year it is difficult to apply for leave as it is not granted easily by the management. Workers interviewed

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

said that ESI doctors do not grant sick leaves for more than 10 days to workers without a bribe.

Half of the workers interviewed say that they can use the toilet whenever they want. The other half said that three toilet breaks are given during a shift. The toilet break is only for five minutes and security guards are stationed near the toilets to ensure that workers return to their work place quickly. Workers said that light and ventilation is sufficient in the factory and filtered water is provided and is kept very close to their work place.

Workers interviewed said that audits are conducted by brands once or twice a year. During audit team visits, workers are instructed to wear masks, ID cards, caps, slippers, to display safety equipment and to clean the work place. Workers mentioned that auditors enquire about wages, increments, and workers' satisfaction with the existing crèche facility, ventilation, water supply and canteen facility. Workers are also encouraged to express grievances including sexual and other forms of harassments. Workers allege that only 'loyal' workers are chosen for discussions with the auditors and they do not share grievances of the rest of the workers. Social audits have made little difference in the working conditions of the workers, they said.

Workers individually interviewed said that they have seen the code of conduct of the brand posted on a notice board. When asked they were neither able to name

A garment worker in one of the housing areas.



the brand nor state the code's content. It seems that workers confuse posters on fire extinguishers and health and safety instructions with the code of conduct. One worker mentioned that the company has not educated them about any code of conduct.


Consumption, expenditure, indebtedness and future prospects for workers

Workers said that their income is not sufficient for themselves and their families to lead a dignified life. Their children have been deprived of good educational opportunities.

The average monthly wage of garment workers in Factory B is INR 6913 and the average monthly household income is INR 11 788. The number of dependents is 4 to 5 on an average (see Table 2). Through overtime work, they earn an additional income of INR 500 to INR 2000 per month.

Unable to meet the basic needs of their families workers have resorted to borrowing money. Most of the loans taken by workers are to educate their children and to meet medical expenses. Some have also borrowed money to meet other household expenses such as groceries, festivals and house rent. Seven interviewed workers have used the loan amounts to meet health related expenses. Money lenders are approached for loans and they charge interest at the rate of 3% to 5% per month which is higher than annual interest of 9% to 13% charged by public sector banks. Workers have borrowed amounts ranging from INR 5000 to INR 300 000.

12 out of the 16 workers individually interviewed and 14 workers from the focus group discussion expect that their life will only get worse in the future: Illustratively, one of them says:

 *Life is burdensome and I feel that this kind of life is not worth living at all.*

Workers are very concerned about their children's future and they mentioned that if their incomes remain the same their children's education and family's health will be jeopardized. Their indebtedness will increase and they will not be able to save any money for the future.

Low wages and lack of career growth opportunities are forcing workers to take up second jobs. Out of the interviewees, four workers are employed as domestic workers, two workers are employed in wedding halls for washing utensils and three workers do tailoring work at home. The additional income earned ranges from INR 2000 to INR 4000 per month.

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Most workers seem to continue to work in the garment industry out of sheer helplessness. Workers, who are above forty years of age, will continue to work in the garment sector as they say they do not have any other skills. Young educated women workers express some hope and want to work as school teachers or junior accountants or as sales persons in shopping malls.

FACTORY C – SUPPLIER TO H&M

Factory C is a large factory and the company employs more than 3000 workers. It is situated in the Bangalore area.

Conditions of Employment

Like in many other garment factories in Bangalore, workers at this factory have to work for long hours, sometimes exceeding permissible work hours without adequate rest. Supervisors and managers compel them to fulfill the production targets. There are arbitrary deductions from the wages if workers come late to work or take leave without permission.

Workers say that the production targets are high and tailors have to stitch 100 shirt sleeves in an hour. This is not realistic according to workers who say that only 60 shirt sleeves can be stitched in an hour. There are numerous instances of verbal abuse in the factory. Workers are shouted at and called names to complete the production targets. Supervisors and managers threaten them that they will be dismissed from work if they do not achieve their targets. While workers want to work overtime as they can earn a little more, they complain about compulsory overtime work.

Appointment letters are said to be provided both in English and the local language Kannada. Workers said that one hour's wage is cut if they are late to work even by a few minutes. Half a day's salary is deducted if they are late for work for five days in a month. Sometimes, their identity cards are confiscated and they are forced to return to their homes and come back to work only the next day.

Workers allege that those who take leave for more than one week are shouted at though they are entitled to fourteen days' casual leave in a year. When the workload is high, leave is not granted to workers. Women workers receive paid maternity leave for three months through ESI.

Working Hours and Wages

Workers say that wages at the factory have been stagnant since the last six years until the recent revision of minimum wages for garment workers in April 2014 by Government of Karnataka. Working hours are eight hours per day and 48 hours per week. Workers say that production pressure is high during June to April, especially after the 'Dussehra' festival in October.

Monthly wages range from INR 6595 to INR 8400 without overtime, and is based on the skill level and number of years of service. An additional amount of INR 400 is paid as monthly attendance bonus to workers who work on all the working days of the month without taking leave. Most workers do not know their daily wages rates and are not aware of the minimum wages that they are eligible for.

Overtime work is usually about nine hours per week. During the peak season from June to April, a maximum of three hours of overtime work per day is assigned. Workers say that they have to work for about nine to eleven hours a day during peak seasons and they continue to work overtime for months together without leave. During focus group discussions, four workers said that overtime work is mandatory. Overtime is paid at double the hourly rate. Workers can earn up to an extra INR 2000 per month during high production seasons and during normal periods they earn INR 500 to INR 600 per month as overtime payment.

Workers' kitchen in Bangalore.



Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Transport is provided free of cost. However, apart from poorly maintained mini buses, workers have to travel in open vans which are unsafe and in fact illegal as the state transport department has rules¹¹² prohibiting transport of people in vehicles meant for goods.

Freedom of Association

The company seems to prevent workers from forming or joining trade unions. Managers and supervisors intimidate workers who interact with trade union activists. They display an anti-union attitude, claiming that unions only lead to closure of factories. Furthermore, they try to convince workers that trade unions are unnecessary as it is sufficient for workers to express grievances through the factory level committees such as the Works Committee and Health and Safety Committee. However these committees are neither democratically elected nor functional, workers said. Workers who share grievances with external trade unions are abused by the supervisors and managers. Supervisors and managers identify workers that are interacting with outsiders or trade unions near the factory and they are threatened with dismissal if they ‘speak badly about the factory’ to outsiders.

Health and Safety and Social Audit

Though the factory has enrolled workers in the ESI facility workers say that the company has not educated them about the benefits of ESI. INR 110 to INR 120 per month is deducted from wages towards workers’ contribution to ESI. Likewise, INR 750 to INR 780 per month is deducted for contribution to the provident fund which is in accordance with law¹¹³.

Workers complained that they are restricted from taking sufficient number of toilet breaks. The company has a ‘token system’ for toilet breaks. Each batch of about 35 workers is given three or four tokens (numbered plastic coins) for the day and they need to give it to the security guards in order to use the toilets. They have to return to work within a short time and if they are late supervisors abuse them. Workers avoid drinking sufficient water due to limited access to toilets.

The light and ventilation is reported to be sufficient. Tube well water is filtered and provided to workers for drinking. Two workers mentioned that water supply is not regular and it tastes salty.

Workers said that audits are conducted by buyers such as H&M and C&A once in a quarter. When an audit is imminent, workers are instructed to arrange equipment in an order, wear masks, slippers and identity cards and keep the work place clean.

¹¹² Section 28, Rules of the Road Regulations, 1989

¹¹³ Section 6 of the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952



Garment workers neighbourhood in Bangalore.

Ten of the interviewed workers said that the audit team conducts closed door meetings with a few workers to verify if salaries and overtime payments are paid correctly. The efficiency of work processes such as flow of materials etcetera is verified. For the closed door meetings, three to four workers from each of the departments are chosen by the management. According to the interviewed workers, those who are more loyal to the management are handpicked and the information provided by them to the audit team is not likely to be genuine or accurate. Apart from the closed door meetings, the audit teams randomly choose a few workers from the production line for discussions. But workers are conscious of being observed by the supervisors and managers as discussions are held within the factory premises.

Workers said that social audits have not resulted in any marked improvement in working conditions. They feel that their health and safety is not a priority for the company. Workers were not aware if a health and safety committee exists in the factory. Most workers interviewed said that there was a code of conduct for the factory, but did not know its content. Some workers have noticed posters on lunch timings, salary pay day and work timings.


Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.

Consumption, expenditure, indebtedness and future prospects for workers

The average household income of workers in this factory ranges from INR 7400 (in the case of a worker who is the only earning member with 3 children) to INR 16 000 (in the case of a worker who lives in a joint family with her brother and sister-in-law). The average monthly wage of a worker is INR 7259 and the average monthly household income is INR 12 886. Four to six family members depend on this income. Workers estimate that they need INR 17 714 per month (on an average) to live a decent life in Bangalore (See Table 2) and to save for the future.

According to workers, wages have not kept up with the rise of the prices of commodities of daily use. Workers have no other way but to take loans to meet expenditures related to health and education. House rent, children's school fees, price of medication and transportation are increasing every year. Workers have taken loans two to eight times in a year from money lenders at interest rates of 3% to 5% a month. Loan amounts range from INR 10 000 to INR 20 000 and they are steeped in debt. Many a times they have to borrow more money just to pay off the interest of older loans.

One worker said:

 *How can life improve? It will only get worse. Our wages are not likely to rise substantially at all. We have lost hope. With my wage I have to take care of 3 children and I am the only earning member of the family.*

Workers said that they are not able to have a balanced diet and suffer from fatigue and stress. They cannot afford sufficient protein rich food such as milk, egg or meat. One worker had to drop the idea of buying a plot of land to build a house in order to pay the school fees of her children. There is no crèche facility in the factory and the management is paying INR 200 per month so that workers with children below 6 years can make alternative arrangements. As one worker with three children mentioned, INR 200 per month is far from sufficient to pay for private childcare. The actual cost would at least INR 1000 per month. The absence of a crèche within the factory is increasing the monthly expenses of many women with children below six years.

Some workers said they aspire to become supervisors as it will increase their incomes. According to them, a few male workers have been promoted as supervisors but they have not come across any woman worker who was promoted as supervisor.

Low wages are forcing workers to take up second jobs. Three workers are stitching clothes in their homes, four are employed as domestic workers and two workers have part-time jobs washing utensils in a marriage hall. Incomes earned through additional occupations are INR 2000 to INR 4000 per month.

Workers said that it is stressful to work in the garment sector because of the low wages, high production targets and the constant harassment. Most interviewed workers said they will perhaps work for another three to five years and then look for other opportunities. One motivation to continue to work is that they are eligible for payment of gratuity if they complete five years of continuous work.

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Wages and Working conditions the Electronics Sector in Sriperumpudur

For the purpose of this report Cividep conducted individual interviews with 31 workers of Dell and Samsung factories both located in the Hi-Tech SEZ Park in Sriperumbudur, Tamil Nadu between June and August 2014. Furthermore, Cividep organized two focus group discussions with 21 workers from these two factories in August and September 2014. One focus group discussion was conducted with eight female Dell workers and the discussion with Samsung workers was conducted with 13 male participants.

This chapter will analyze the data obtained during the individual interviews and focus groups discussions with workers and give an overview of the working conditions in Samsung and Dell factories in Sriperumbudur as well as the consumption and expenditure pattern of electronics sector workers from these factories and the inability to meet their basic needs due to wages that are below a living wage.

SAMSUNG

Conditions of Employment

In 2007 Samsung established its manufacturing facility in Sriperumbudur. The factory manufactures and assembles LCD television sets, fully automatic front load washing machines, refrigerators and split air conditioners. All in all Samsung employs over 2000 workers in two shifts at the factory, one from 8.00 am to 5.00 pm and a night shift from 8.00 pm to 5.00 am. During the night shift workers receive INR 100 night shift allowance and Samsung provides two meals at the canteen to the workers in a day. The majority of the workforce is male and between 22 to 28 years of age.

Out of 15 Samsung workers interviewed seven are operators who are involved in the assembly of products, three are employed as technicians and five were hired as apprentices for one year. The interviewed workers joined their current job at Samsung between March 2009 and most recently in January 2014. All the workers received an appointment letter from Samsung upon or latest 3 months after they were hired. Workers have to meet a daily production target which depends on the department they are working in. Workers say it is difficult to reach these targets within an eight hour shift and therefore they have to work under considerable pressure. The factory has three main plants on their campus for air-conditioners, LED & LCD TVs, washing machines and refrigerators. The average production target of the main assembly line is 2000 domestic appliances per day. One of the apprentices was doubtful whether his employment will be confirmed¹¹⁴ if he does not meet the daily target.

Working Hours and Wages

Wages paid to the interviewed workers range from INR 7500 for apprentices up to INR 15 500 for technicians. Apart from their wage permanent workers receive a house and transport allowance; apprentices only receive a transport allowance. Food provided in the canteen is free. Workers were confident that at the time of resignation all dues such as payment of gratuity and leave encashment will be deposited in their salary account.

Workers reported that overtime work up to 4 hours per day was a regular practice at the factory but since this year Samsung complies with the legal maximum working hours of 48 hours per week and 8 hours per day¹¹⁵. However, workers have to work under a lot of pressure to be able to finish their daily production target.

114 Employment confirmation means a worker becomes a permanent employee of the factory.

115 Factories Act, 1948 Section 51, 54.

Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.



Samsung factory

One of the apprentices claimed that apprentices have to work up to 10 hours of overtime in a week and that they are doing it voluntarily in the hope that they will be confirmed as permanent employees soon. Overtime work is usually paid at double the hourly rate according to law.

Workers report that sometimes they are also asked to work overtime on Sunday (their weekly holiday) for which they are compensated with double wages.

Most of the workers use company transport by bus for their commute which ensures that they are not late for work. In case workers come late they may be scolded by their supervisor or manager and receive oral warnings.

The respondents were unclear about the leave policy of Samsung and claimed that it is difficult to take leave for more than three days (paid days, in case of sickness) beyond that they can take leave with loss of pay. However, most of the male workers were aware that female workers are eligible for three months of paid maternity leave.

As per the Indian Factories Act 1948¹¹⁶ every worker 'who has worked for a period of 240 days or more in a factory during a calendar year, will get annual leave of 1 day for every 20 days worked in the subsequent year (...) and a 'total of 12 sick leaves should be allotted to an employee per year'.

¹¹⁶ Factories Act 1948 Section 79 to 84.

Permanent workers have received an Employees State Insurance (ESI) card from their employer which entitles them to free, state health care. However, one worker said:

“Yes I have an ESI card but I am not using it because of the distance to the ESI dispensary. I will use the ESI dispensary only for serious diseases not for minor health ailments.”

Workers consider the registration procedure which includes submitting photographs of themselves and their dependents for the ESI card to the regional ESI office in Chennai as time consuming and inconvenient as they live at least 40 km away from the city. If they visit the ESI dispensary after their shift they would have to travel by back by public bus which is not free as the company bus. Apprentices who have joined Samsung this year have not received an ESI card yet.

Freedom of Association

The Indian Trade Unions Act, 1926¹¹⁷ provides for ‘registration of trade unions with a view to render lawful organisation of labour to enable collective bargaining (...) A Trade Union is a combination whether temporary or permanent, formed for regulating the relations between workmen and employers’.

There is no trade union to represent workers interest at Samsung. Workers fear they would be dismissed if they organized themselves in a union. One worker also noted that the workforce is divided into operators and technicians. Technicians are generally more qualified and therefore receive higher salaries so in the worker’s opinion it would be difficult to accommodate different demands from these two groups of employees in a union. Furthermore, workers recall that in 2012 some of their colleagues who demanded a salary increment were dismissed. Workers complain about the work pressure and high work load which cause stress but they do not know how to address these grievances in the absence of a union. They do not have the courage to form a union out of fear of dismissal:

“No, I am new to the company and I am not permanent. I heard from my friends that if I join [a union] I will be dismissed”.

“I don’t think it is possible to form a union in our factory, the management will dismiss us immediately if they come to know about the union activities”.

¹¹⁷ Trade Unions Act, 1926 Preamble and Section 2 (h) <http://www.ilo.org/dyn/natlex/docs/WEBTEXT/32075/64876/E26IND01.htm>

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Health and Safety and Social Audit

Samsung allows workers to use the restrooms at any time, only for workers working at the main assembly line restroom breaks are limited as it is said to disrupt the production process. The company provides them with clean filtered drinking water. The workers say that their factory is well lit and ventilated. Only one worker complained about giddiness and nausea due to lack of ventilation.

In case of illness workers can take sick leave if they provide a medical certificate although they were not sure about the number of paid sick leaves which is 12 days according to the law. However, apprentices claim that they are not entitled to sick leave and if they are absent from work due to being ill it will be at loss of pay.

This is contrary to the Apprentices Act, 1961¹¹⁸ which states that an apprentice shall have leaves as prescribed by the establishment in which the person is undergoing training. The Apprentices Rules, 1992¹¹⁹ elaborate on the grant of leave to apprentices: The maximum period of availing medical leave is 15 days for those who are unable to attend duty owing to illness. The employer may ask the apprentice to produce a medical certificate, however the same is necessary if the leave exceeds six days. If the employer has a reason to believe that the apprentice is not really ill, the employer can arrange for a special medical examination of an apprentice. Leave granted to apprentices in establishments with proper leave rules for workers shall be according to rules made by the employers.

Audits¹²⁰ are conducted once in six months and some are conducted by foreigners. During the audits the workers are not allowed to speak in front of the auditors, they say. Sometimes external audits are announced on the notice board but most of the times workers are not aware when an audit will be conducted. During external audits workers observed certain changes in the factory:

 *The toilets are clean and they also ask us to wear safety shoes, gloves and safety glasses.*

Consumption, expenditure, indebtedness and future prospects for workers

Samsung workers reported that it is very difficult to meet medical expenses for parents or education for their siblings and occasional expenses during weddings¹²¹

118 Apprentices Act, 1961, Section 15 (3): http://dget.nic.in/upload/uploadfiles/files/ACT_1961.pdf

119 Apprentices Rules 1992, Rule 13 (1): <http://dget.nic.in/upload/uploadfiles/files/1.pdf>

120 The questionnaire used did not differentiate between internal and external audits.

121 Note that Indian weddings even among working class cost around INR 300 000 – 500 000 given the custom of buying gold jewellery for the bride and gifting other expensive articles to the groom as well as to other relatives and friends attending the wedding.



Samsung workers' sleeping area.

Workers' Cooking and laundry area.



Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.

in the family from their salaries, as they are not able to save for such occasions. Some of the male workers said that their low salary is hindering them from getting married and starting a family. As a consequence, workers need to borrow money to meet extraordinary expenses. However, only one worker has taken a loan of INR 120 000 from the bank to meet his father's health care expenses. The majority (12 out of 15) of workers interviewed borrow money from friends or relatives and two have given family jewellery against money to a pawn broker. Workers noted that they borrow money as and when needed and not on a regular basis. However, six of the 15 workers interviewed are highly indebted and need to repay between INR 30 000 to 80 000 for wedding or medical expenses and college admission fees for siblings. Interest rates vary from 2-5% per month. The ones who borrowed from friends and relatives normally do not have to pay interest.

Samsung workers do not feel that their living conditions will improve due to their current position and income. They plan to continue working for Samsung until they get a better job in another factory or until they have repaid their loans. Two workers uttered the wish to work abroad while some workers say they dream of opening their own small scale business such as mechanic shops - or to work for other manufacturing companies in and around Chennai that pay higher wages.

I would choose the same [electronics] sector because I have experience only in this sector. Companies will pay salary according

Dish washing area at Samsung workers' house.



to the work experience. If I start work in another sector I will get less salary so I will choose only this sector.”

They consider the company structure as very hierarchical and feel that they are not adequately paid for the hard work they deliver. Although most of the workers expect to be promoted at Samsung, they are doubtful if a promotion would also bring an increment in wages. More than promotions they would need a wage increment in their current positions, they say.

DELL

Conditions of Employment

In 2007 Dell established its manufacturing facility in Sriperumbudur where it assembles laptops, servers and desktop computers. The majority of the workforce is young unmarried women of 20 to 25 years of age. They assemble around 7000 laptops, server and desktops in a day and workers have to meet daily production targets according to their department. The factory has a production volume of 1.5 million pieces per year – in other words Dell can produce 20 desktops and 7 laptops per hour. Workers need only 3 minutes to assemble a desktop and 8 minutes to assemble a laptop.

Out of 16 female Dell workers that were interviewed individually for this report all but one are employed as production operators and have joined Dell between 2010 and February 2014. All of them received an appointment letter. Workers report that they have to meet a daily production target but that most of them are able to achieve this within their eight hour working day. However, workers also report that they are sometimes made to work half an hour longer to finish their target and that this is not considered as overtime by the management.

Dell workers are not aware of the number of leaves that they are legally entitled to but claim that they cannot take leave for more than two days in a month. If they work for two months continuously they are permitted to take paid leave for one week. Workers make use of this option to visit their native places during local festivals. All interviewed workers said that they will be eligible for six months maternity leave although the legal provision under the ESI Act is three months. They were confident that at the time of resignation all dues would be settled and transferred to their bank accounts.

Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.



Dell's facility in Sriperumbudur where it assembles laptops, servers and desktop computers.

Working Hours and Wages

Dell operates on a two shift basis on 6 days per week. Each shift is eight hours. Sunday is a weekly holiday for workers.

Workers say that there is less work in the month of March but that during the rest of the year production is high. They can work up to 6 hours of overtime per week which many of them do in order to gain a higher income as overtime is paid at double the hourly rate according to the law.

Although we are not forced to work overtime, we are voluntarily doing it as it is paid at double the hourly rate because our salary is not enough to meet our families' expenses.

Wages at Dell are low: A newly joined worker earns INR 4500 net and a worker with 4 years of work experience earns INR 8500. However, most workers earn an additional INR 700 to 1500 as overtime payments per month. Wages are low compared to other companies in the electronic sector such as Nokia, Foxconn, Flextronics (Cividep & Südwind 2012)¹²². The monthly salary in other electronics factories paid to trainee operators is INR 7500 and more, while trainee operators at Dell earn only INR 5500 gross.

¹²² Cividep & Südwind (2012): Shiny Phone – Paltry Pay, <http://cividep.org/shiny-phone-paltry-pay/>

Workers are not aware whether they are paid any allowances as Dell does not issue pay slips to them. Pay slips can only be accessed online from company computers. The workers were informed by the management that there is no house rent allowance but that they pay an allowance of INR 110 for transport and INR 150 for canteen food. Most workers are using company transport to commute to work and have at least one meal in the canteen.

The workers, except for one who joined the company very recently, have received an ESI card. However, they are not using it either because of the distance to the ESI dispensary or inconvenient consultation timings. The interviewees were unsure about deductions from their salaries for ESI and PF as they do not receive monthly pay slips.

Freedom of Association

No there is no union here. We were given instructions during the recruitment process not to join a union. The managers strictly gave the instruction to us not to form an association or join a union.

According to the information shared by workers they have not tried to organize themselves for different reasons. First, several workers reported that they

Young Dell workers having lunch.



Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

are being discouraged from forming or joining a trade union by the management during the recruitment process. Second, workers said that they are not confident to discuss the possibility of forming a union in the factory because the Human Resources Manager and other managers hail from the same native places as the workers. Workers thus fear that any of their actions at the factory level may cause serious repercussions on their families in the home villages. Moreover, caste hierarchies predominant in their native districts seem to be reproduced at the factory level. This might also be a reason why workers are hesitant to engage with the management.

It is striking that Dell hires almost all workers from two particular districts in Tamil Nadu. On the one hand the company is offering employment opportunities to rural women, which could be seen as supporting their emancipation and adding valuable resources to their families. On the other hand they are paid so little that even through industrial employment these women are not able to lift their families out of poverty. In the absence of a trade union, workers feel incapable to bargain for higher wages.

Health and Safety and Social Audit

Dell workers are allowed to use the restrooms at any time and report that the factory is well ventilated and clean filtered drinking water is provided.

In case of illness workers claim they can take two days of sick leave in a month and up to five days if they produce a medical certificate.


During the focus group discussion workers shared that many of them are suffering from respiratory problems such as wheezing. They think that their respiratory problems are due to working in an air conditioned environment for long hours. Some of them also complained about a certain smell in the factory which makes them feel uncomfortable.

At Dell there are regular internal and external audits. During the internal audits the company's human resources department and financial department are auditing the work process. During the external audits, which are announced, the workers are advised by the managers to work properly, pay attention and to use safety equipment such as gloves and Electrostatic Discharge Shoes (ESD). During these audits foreigners visit the factory and talk to workers but only about their work processes. Workers are advised by the management to be present during external audits and not to take leave.

Two workers reported that the code of conduct is available in Tamil while the rest of the respondents said it is only posted in English, a language that most of the workers cannot read or speak so workers said they are unaware of the code's


content.

Consumption, expenditure, indebtedness and future prospects for workers

 *Because I didn't get any work in my native place I came here to work. I couldn't continue my studies so I am working here to fulfill my family's needs.*

Dell worker

Dell workers find it difficult to meet their family expenses from their salaries.

 *No chance with this salary I can't meet all my family needs and I can't even save something*

Two of the workers mentioned that they need money to buy jewelry for their wedding. All women workers borrowed money from friends at the end of the month to meet their monthly expenses. One worker explained that she is not eligible to get a loan from the bank because she is migrants from another district in Tamil Nadu and “I don't have proper documents to apply for a bank loan”. So, sometimes if it is not possible to borrow money from friends she borrows from a moneylender. Women workers at Dell are less indebted than male workers at Samsung with debts of INR 300 to maximum 10 000 and no interest since the money is borrowed from friends.

Dell workers are of the opinion that due to the low income their living conditions are not likely to improve. They send more than half of their salaries home to support their families in the villages and are left with so little for themselves that they cannot afford nutritious food, let alone any luxuries in their lives such as entertainment.

Dell workers do not expect any promotion at the factory. The majority of the women said they would only continue to work for Dell until they get married. Since their marriages will be arranged by their parents many of them will have to return to their native places so there is no scope for these workers to continue working for Dell. Only one worker said she will continue working until she finds a better paid job elsewhere and another worker plans to look for a job in a different field as she holds a Bachelor of Science degree. Her dream would be to become a software engineer.

On the question which profession they would choose if they could do so freely, most workers say they will continue working in the electronics sector since that

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A garment worker lights the incense in a temple.

is the only work experience they have. Two workers would like to work for the government although they just completed 12 years of schooling. With this level of education a government job seems to be more of an aspiration than an actual realistic opportunity.

Comparison of Consumption and Expenditure Patterns of Workers in the Garment and Electronics Sectors in India

This chapter will compare the pattern of consumption and expenditure among garment workers in and around Bangalore, Karnataka and electronics workers in Sriperumbudur, Tamil Nadu.

WAGES: WHAT IS NEEDED?

The following table highlights the average required monthly living cost of a family of three members.

Data on essential commodities such as rice and pulses for Tamil Nadu and Karnataka has been obtained from the Civil and Consumer Affairs Department¹²³ which fixes retail price of 22 essential commodities received daily from the State Civil Supplies Departments of the respective State Governments. Data on vegetables and fruits for Sriperumbudur that are mentioned are according to a wholesale pricelist

123 <http://consumeraffairs.nic.in/consumer/?q=node/47> (15/10/2014)

Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.



Women buying bananas from a street vendor.

listed by Chennai Metropolitan Development Authority (CMDA) providing the daily prices of vegetable at Koyambedu wholesale Market Complex in Chennai¹²⁴.

Figures for vegetable and fruit prices in Bangalore were retrieved from a list of rates provided by Karnataka Horticulture Cooperative¹²⁵. Data on the average non-food expenses were collected in 2013¹²⁶ and then verified with activists living in Sriperumbudur and members of the Garment Labour Union Bangalore, a local trade union who live and shop in the areas where most of the garment workers are residing. It is noticeable that prices are higher on average in Sriperumbudur than in Bangalore and Rural Bangalore. Rents in rural areas are generally lower than in urban areas and food prices for crops that are grown in rural areas tend to be lower, too.

¹²⁴ <http://www.cmdalayout.com/CommodityRate/CommodityRateToday.aspx> and <http://www.livechennai.com/index.asp> (15/10.2014)

¹²⁵ [http://www.hopcoms.kar.nic.in/\(S\(vks0rmawn5a2uf55i2gpl3zo\)\)/RateList.aspx](http://www.hopcoms.kar.nic.in/(S(vks0rmawn5a2uf55i2gpl3zo))/RateList.aspx) (15/10/2014)

¹²⁶ Swedwatch & Finwatch (2013): *Global Expectations on Indian Operations – A study on Stora Enso's Human Rights Challenges*, <http://cividep.org/global-expectations-on-indian-operations/>

Table 1: Estimated monthly living cost (in INR) of a family of three (2 adults and 1 child)

	Bangalore	Rural Bangalore	Sriperumbudur
Food Expenses			
20 kilos of Rice	INR 31 per kilo 620	INR 40 per kilo = 800	INR 48 per kilo 960
5 kilos of Pulses	INR 99 per kilo = 475	INR 75 per kilo = 375	INR 97 per kilo 485
15 liters of Milk	INR 29 per liter 435	INR 28 per liter = 420	INR 27 per liter 405
3 liters of Edible Oil	INR 87 per liter 261	INR 70 per liter = 270	INR 105 per liter 321
Vegetables	INR 30 per day = 900	INR 25 per day = 750	INR 50 per day = 1500
Egg, Fish, Meat	INR. 300 per week 1200	INR 300 per week = 1200	INR 400 per week 1600
Coffee/Tea	INR 90 per week 360	INR. 90 per week = 360	INR 100 per week 400
Fruits	INR 315 per week = 1260	INR 70 per week = 280	INR 280 per week = 1120
Total Food Expenses	5511	4455	6791
House Rent	3500	1500 ¹²⁷	4600
Water & electricity charges	400	300	400
Fuel-Firewood/ kerosene/ cooking gas	420	420	430
School Fees, study materials, transport etc	1500	1200	1650
Medical Expenses	750	500	750
Clothing	500	500	700
Social Occasions: weddings & festivals	400	300	500
Transport to workplace	INR 20 per day = 600	INR 24 per day = 720	INR 60 per day = 1800
Total Monthly Expenses	13 581	9895	17 621

Source: Civil and Consumer Affairs Department, 2014.

¹²⁷ Location is in Rural Bangalore. Therefore rents are cheaper than in urban Bangalore and Sriperumbudur.

Mind the gap: How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.

ACTUAL WAGES

The following table gives an overview over the average monthly salary without overtime at the researched factories, the total household income to which workers contribute through their employment, the number of members dependent on this household income and the income workers would require to be able to provide a dignified life to their families and themselves. While the number of household members was obtained from the interviews with workers the consumption units (adults or children) were not measured. Normally one would assume that adults consume more than children but educational expenses for children can cause a burden on the household income, so children might be as ‘expensive’ as adults. Civedep’s long term experience in researching the garment sector in Bangalore has shown that garment workers tend to invest in their children’s education in order to provide them with better job opportunities in the future.

Table 2: Average monthly wages (without overtime), household income and required household income¹²⁸ to provide a dignified life (in INR). (Number of interviewed workers in brackets)

	Factory A (15)	Factory B (16)	Factory C (14)	Dell (16)	Samsung (15)
Average Monthly Wages (without OT)	6701	6913	7259	6959	10760
Average Household Income	10950	11788	12886	16376	20453
Average Number of household members	4	4,5	4,6	3,8	4,5
Estimated minimum household income to provide a decent living ¹²⁹	16667	15133	17714	25063	25867

While seven of the garment workers are the only breadwinners in their family, all the electronics workers are still unmarried and thus contribute to their parents’ household income. This explains why the overall household income of electronics workers is higher than that of garment workers. Most of the Dell workers are from villages of Southern Tamil Nadu where they traditionally live in joint families. All the workers have two or three siblings. Their parents are mostly farmers with a small piece of agriculture land. Workers even bring the bulk of staple foods such as rice, lentils and spices from their villages in Southern Tamil Nadu once or twice a year to save costs. Discretionary savings are very low among Dell and other electronics sector workers since they tend to send almost their entire salary home to support their parents and siblings.

¹²⁸ Estimates were provided by workers during individual interviews.

¹²⁹ According to the workers interviewed

Electronics workers expect a higher income to provide a decent life than garment workers. This might be due to their young age (20-28 years) and higher level of education and therefore opportunities to find better paid employment than for garment workers (24-43 years). The average estimated household income by garment workers to be able to provide a decent living is the same between relatively young workers (19-30 years) and older workers (31-45 years).

Table 3/Graph 1 depicts the average actual monthly expenditures of garment and electronics sector workers per factory. Only the average monthly salary of workers is depicted, without including overtime which is entirely variable. It is obvious that workers from factories supplying to H&M that are located in the city of Bangalore pay higher rents than workers in Rural Bangalore working in a factory supplying Varner. Dell and Samsung workers in Sriperumbudur are unmarried and share houses with co-workers to save on rent.

On average six workers are sharing a house with one or two rooms, toilets are normally outside the houses and shared with other tenants as well. Food expenses are higher for garment workers as most of them are married and have children compared to single workers in the electronics sector. The electronics workers hail from other districts in Southern Tamil Nadu which are far away from the factories and therefore spend more on transport to visit their families in their villages than garment workers. The expenditure for education among electronics workers is lower as most of them do not have children yet.

It is striking to note that workers in both sectors are not able to make discretionary savings from their income. The amount is particularly low among electronics sector workers as they tend to send almost their entire salary home to support their parents and siblings.

Graph 1: Average actual monthly expenditure of workers in the garment and electronics sectors (in INR)

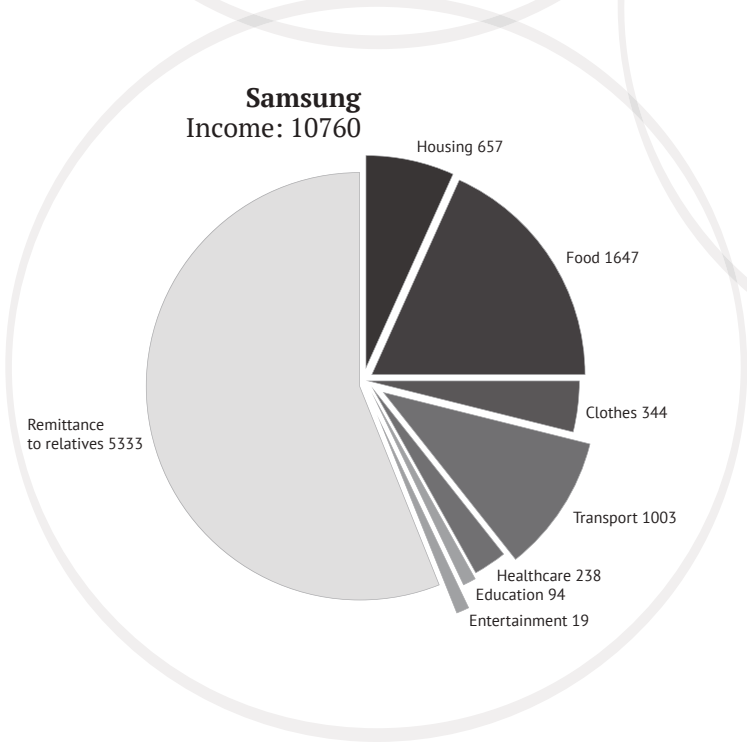
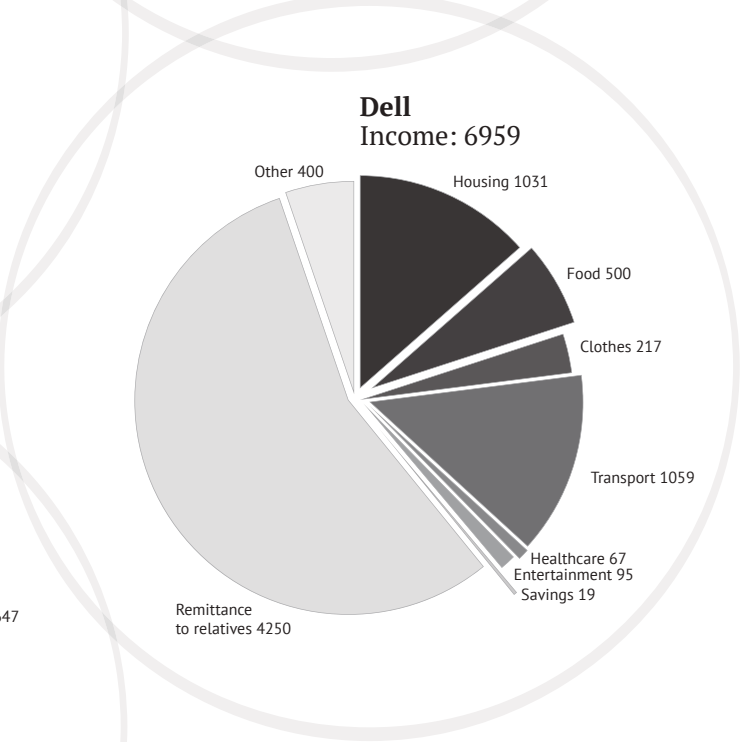
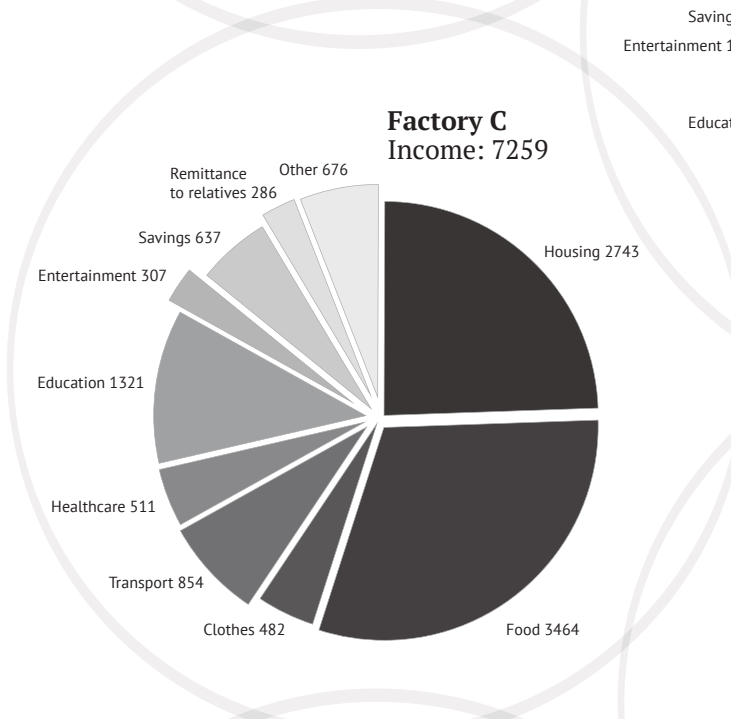
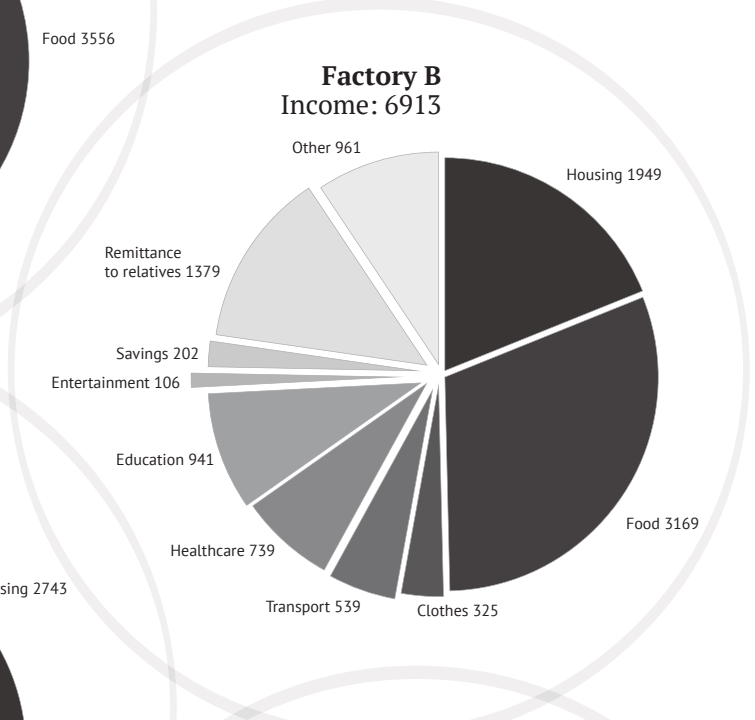
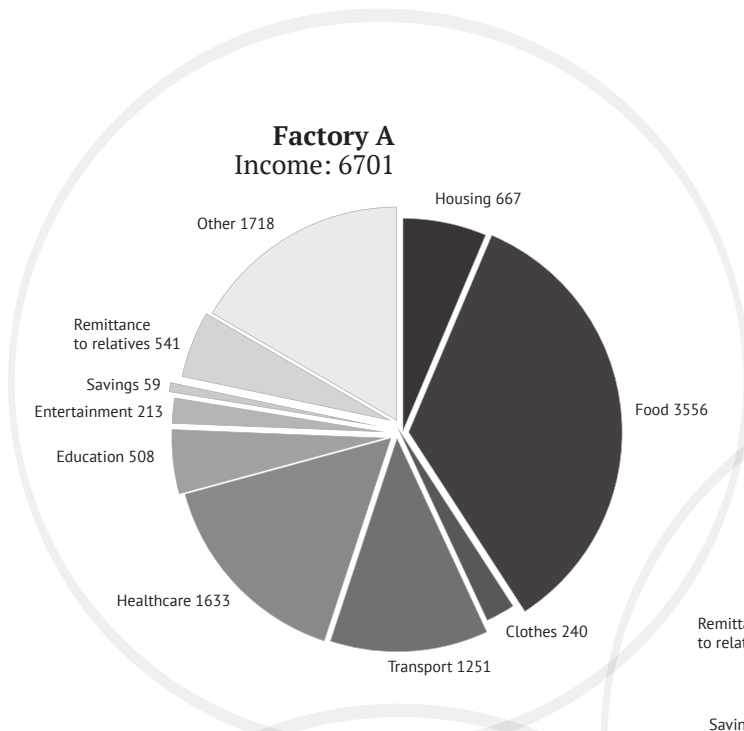


Table 3: Average actual monthly expenditure of workers in the garment and electronics sectors (in INR). (Number of interviewed workers in brackets.)

	Factory A (15)	Factory B (16)	Factory C (14)	Dell (16)	Samsung (15)
Average Monthly Salary (without overtime)	6701	6913	7259	6959	10760 ¹³⁰
Average Household Income	10950	11788	12886	16376	20453

Expenditures

Housing	667	1949	2743	1031	657
Food	3556	3169	3464	500	1647
Clothes	240	325	482	217	344
Transport	1251	539	854	1059	1003
Healthcare	1633 ¹³¹	739	511	67	238
Education	508	941	1321	0	94
Entertainment	213	106	307	95	100
Savings	59	202	637	19	0
Remittance to relatives	541	1379	286	4250	5333
Other	1718	961	676	400	0
Total expenditures	10386	10310	11281	7638	9416
Household Income – Total Expenditures	564	1478	1605		

When the total amount of expenditures is deducted from the total household income, the amount remaining is much higher for electronics workers. However, one has to keep in mind that this is the amount left with the household and not the workers themselves. While garment workers are married and spend directly within the household, electronics workers live away from the household and only contribute to the household income. Dell workers for example, are left with nothing of their monthly salary after their own expenditures and sending money to their families. Samsung workers have little money left after covering their most basic needs and sharing with their distant household.

¹³⁰ An explanation why this figure is higher than for the other factories, pls see chapter «Household income not enough» p.83

¹³¹ 4 out of the 15 workers interviewed have relatives with serious health problems such as kidney, liver, heart disease and asthma. Therefore their healthcare expenses are comparatively higher.

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Household income not enough

If the estimated monthly living expenses for a family of three (Table 1) are compared with the average monthly expenditures (Table 3/Graph 1) of garment workers from Bangalore (Factory B and C) it becomes evident that with their average monthly household income they are not able to meet the estimated basic living expenses. The situation for garment workers in Rural Bangalore is only marginally better as prices in this rural district are comparatively lower than in the city of Bangalore. The average household income of Dell workers is not sufficient to meet the estimated living expenses in Sriperumbudur.

Only in the case of Samsung workers is the average household income higher than the estimated living expenses. This might be due to the fact that wages paid by Samsung are higher than by Dell or wages paid to the garment workers. The fact that all Samsung workers that were interviewed for this report are male may also play a role as they might receive higher wages than their female counterparts in the electronics sector.

Workers' estimates of a minimum household income to be able to provide a decent living (Table 2) seem realistic when compared to the estimates by the Civil and Consumer Affairs Department for monthly living expenses for a family of three (Table 1).

Poor housing conditions is the reality for many garment workers.



In the case of garment workers from Bangalore who themselves estimated they would need a household income of at least INR 15133 to 17714 to be able to sustain their livelihood and provide a dignified life to their dependents and an average monthly living expense of INR 13581 would enable them to keep a modest amount of INR 1500 to 4000 per month as discretionary saving. It would also mean that their average salary (now INR 6913 and 7259 respectively) would need to be more than doubled to provide them with a living wage. In the case of garment workers outside of Bangalore who estimated that they would need household income of at least INR 16667 to be able to lead a dignified life this also seems reasonable with average monthly living expenses of INR 9895 for a family of three in a rural district. The suggested minimum household income would enable them to make discretionary savings of INR 6700 per month. To be able to lead a decent life their current salaries of INR 6701 would need to be more than doubled.

Aspirations of electronics sector workers are higher as they estimate a minimum household income of more than INR 25000 to be able to lead a dignified life. With such a household income they would be able to make savings of INR 7300 per month for medical contingencies, expenses for social occasions such as weddings etc. Dell workers current average salary of around INR 7000 would need to be tripled to provide such a living wage. The average salary of a Samsung worker would also have to be doubled to meet a living wage standard.

Conclusion consumption and expenditure pattern

In conclusion the comparison of consumption and expenditure pattern of workers in the garment and electronics sector in India has shown that:

1. With the current wages which in the garment sector are only slightly above minimum wage workers are not able to meet their basic needs let alone lead a dignified life.
2. With the current low wages in both sectors workers spend almost their entire salary to meet their basic needs and often have to borrow money from different sources to be able to meet them and are not in the position to make any discretionary savings. Despite some differences in income the earnings in both sectors wages are spent on basic needs for the workers and their families, regardless of place of living or if they stay with the families/relatives or not. Likewise, although the average income differs between factories it is important to notice that wages in both sectors fall far from a living wage and what workers see as a wage that will ensure a dignified living.
3. The average household income of garment workers in Bangalore and Dell workers in Sriperumbudur is lower than the estimated monthly living costs for a family of three. This is all the more concerning as the average number of household members of these workers is more than three.

4. The average household income of workers in the Bangalore rural district is equal to estimated monthly living costs however, the average number of household members is more than three in the case of these workers and their average salary is lower than what workers in Bangalore receive.

In the absence of a living wage workers in the garment and electronics sector in India are not able to lead a dignified life and secure a livelihood for their dependents. Low wages in both sectors increase workers' dependence on informal financial sources which keep them in a vicious circle of indebtedness. None of the workers interviewed was of the opinion that their life would improve with their current salary and future prospects for these workers seem rather bleak. These findings substantiate the need for a living wage for workers of both sectors to provide decent work.

Conclusions

In a country of over 1.2 billion population with a large segment of young adults, growth of the manufacturing sector is obviously helpful to create employment and to enhance purchasing power. Both the garment and electronics sectors are meeting to some extent this need for more jobs in India, more so apparel manufacturing for export. However, wages are so low and working conditions so much below national and international standards that employment in these industries does not qualify to be termed 'Decent work'. Workers seem to be caught in a cycle of poverty and they constantly struggle to lead a life of dignity and fulfillment. While these labour intensive enterprises have the potential to contribute to the development of a skilled labour force in the country and thereby to contribute to social and economic development, the lack of will on the part of brands, manufacturers and regulatory authorities to improve working conditions is a lost opportunity to achieve a more equitable sharing of the benefits of industrial growth. Following are some of the major conclusions of the study.

Hostility against trade unions preempts improvement in working conditions: If there is a single most important reason for poor working conditions and low wages in these sectors it is the disregard of employers to the right to freedom of association of workers. To our knowledge the supplier factories to H&M and Varner in the garment sector and the factories of Samsung and Dell in electronics which were studied do not have trade unions. In garment factory A which supplies to Varner for example, whenever workers make a demand or complaint with regard to working conditions, the management apparently takes these attempts to unionize and therefore as a threat to their authority. Workers who raise issues related to working conditions are victimized, threatened and dismissed from work. Workers

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

who are more assertive are not considered to become members of mandatory committees such as Works Committee, Anti-Sexual Harassment Committee and Health and Safety Committee. Workers are not allowed to express grievances to the representatives of brands during social audits. The intolerance towards trade unions appears to be a conscious policy of the companies studied. In Dell for example, right at the point of recruitment and induction interviews, workers are forewarned about joining trade unions. They are told that if they attempt to organize they would be terminated from employment. The anti-union stance of managements hits at the roots of social dialogue and of values of a democratic workplace. It forecloses opportunities for workers to raise grievances and to bring to the notice of the management the need for improvements. Information on the working conditions in both these factories shared by workers during the interviews and focus group discussions reveals the need for freedom of association and collective bargaining for higher wages that would enable workers to not only meet their basic needs but sustain their livelihood and provide a dignified life to their dependents.

Though the reasons for Nokia (see page 5) to exit its manufacturing operations in Sriperumbudur is not clear, their recognition of the trade union, though reluctantly, meant a significant improvement of working conditions and the company was considered a leader in terms of wages. Workers of Nokia could not have hoped to get the severance package they received when the company stopped operations if they were not unionized.

High production targets lead to oppressive work-places: From the interviews of workers, the production practices of manufacturers, are leading to oppressive atmosphere at workplaces. Workers in four factories say that the production targets are high, in the garment factories workers consider targets as unrealistic. Dell workers say they have to meet daily production targets, but only occasionally they face problems to meet these. Short turn-around production cycles put great pressure on production units and in the absence of mature human resources management, supervisors and ill-trained managers resort to unethical behavior against workers. Many workers put in more than legally stipulated work hours, not always paid at the over-time rate. The approximate average Overtime hours in the garment sector are 4 hours per week. Seven workers say that they do not work overtime, while the ones that do overtime report between 1.5 hrs to 12 hrs per week. In the electronics sector, the approximate average Overtime hours are 4.5 hours per week. Nine workers say that they do not work overtime, while the ones that do overtime report between 2 hrs to 24 hrs per week. Many workers resent forced overtime work as they are not free to choose their rest and leisure days. Working overtime without sufficient rest days prevents them from socializing with their children, spouses and other family members. Abusive language used by supervisors and managers and sometimes insulting disciplinary measures

against them make workers leave their jobs in distress. Some of the practices of the management in disciplining workers would amount to criminal offence under the Indian Penal Code, but the vulnerability of the workers and lack of trade unions within the factory premises does not leave any channels to address the grievances of workers. The regulation by the Inspectorate of Factories is irregular and ineffective and managements act with impunity against workers, subjecting them to harassment and many a times illegal termination of employment.

Work pressure is high in the electronics industry as well without sufficient rest and leisure for the workers. In Samsung, it was usual to have overtime work up to four hours per day until recently. Workers are under a lot of pressure to complete their daily production target. An apprentice reported that he works up to 10 hours of overtime in a week and that he does it voluntarily in the hope that he will be confirmed on permanent contract. Overtime work is usually paid at double the hourly rate according to law. Sometimes workers are asked to work overtime on Sunday (their weekly holiday) for which they are compensated with double wages.

Low wages push workers down a spiral of poverty: In all the three garment factories that were part of this research, wages above the minimum wage level were paid. Still all the workers but one, regardless of sector and employment relationship voiced that their wages are not enough to meet the basic needs for them and their families.

The expectation would be that wages in such high profile electronics companies as Dell would be reasonably high, but the reality is that wages in this company is hardly any better than what exists in the garment industry, which is known for low wages. For example, in Dell a newly joined worker earns INR 4500 net and a worker with 4 years of work experience earns INR 8500. Even with an additional INR 700 to 1500 as overtime payments per month the wage earnings of these workers are not significantly higher than garment workers, who typically have lesser educational qualifications. Samsung workers seem to be better paid. We do not know the reasons for this but one of several explanations could be that all Samsung workers interviewed are male and that the gender dimension brings different wage levels.

In the garment industry, the average wage of a worker who has spent five to ten years in the industry seems to be about INR 6500 per month which is less than half of the informally estimated living wage of INR 15 000 per month. Low wages means that the basic needs of the workers like nutritious food, comfortable housing, provision for expenses on health of themselves and their families are not met adequately. Most workers interviewed, both in the electronics and garment sectors, are in debt. Despite their full time positions they owe anything between INR 5000 to INR 300 000 to moneylenders, friends or relatives. These loans are incurred typically to meet housing needs, education of children or siblings or urgent expenses towards healthcare of oneself or relatives.

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

As prices of food items are inflationary, workers cut down on nutritious food items affecting the health of the entire family. Many garment workers do some part time jobs like that of domestic helps to supplement their income. The government mediated minimum wage is pitched at a low level, far below what workers and various organizations would consider a living wage. All these render the lives of workers in the electronics and garment industry (and in many other sectors in India) one of chronic poverty and of unmet basic needs. Young workers in the electronic sector are particularly disappointed as they hoped for a satisfying job and career growth in their employment with renowned electronics companies that are global market leaders. Garment workers hope that they are the last generation to work in the sector and wish for their children to be employed in better paid industries with more humane working conditions.

Health and safety of workers not a priority for industry: The concern of electronic sector company managements seem to be limited to avoiding accidents in the factories than the health and safety of workers. The health checkups conducted are perfunctory and workers are not given complete information on what hazardous processes or chemicals are involved in production. There does not seem to be any conscientious attempt to monitor the health of the workers and to detect any possible ill-effects of chemicals early on and to take counter measures. Monitoring is vital in electronics production processes as symptoms of illnesses take time to manifest and by that time it is possible that the workers have already left employment for another job.

The Employees State Insurance (ESI) provision which is a health insurance and health service provision instituted by law that covers workers in various sectors is an important social security measure in India. However, there is much inefficiency like bureaucratic delays in providing services right at the first point of service that is the local clinic where workers are to report in case of illness. Some workers also report corruption all along the hierarchy of officials and workers are demanded bribes for timely service. However, with all its imperfections, workers can get treatment in the ESI system that they will not be able to afford in private hospitals if they were not covered under the ESI scheme. Managements, who in fact have considerable leverage to improve the ESI system are mostly unconcerned about the services and merely comply with the formalities. Much of the inefficiencies of the ESI system are due to the lack of understanding among workers about how to best make use of the services and employer's unwillingness to earmark time for training of workers in the utilization of services. There has been hardly any serious study of occupational hazards in the garment sector by government agencies or private institutions despite the many complaints that workers have. Low wages and long working hours may be linked to malnutrition and anemia among workers. Employers and brands do not seem to be concerned with the debilitating health issues of workers.



Workers heading home after a day's work.

Social audits by brands are necessary, but insufficient to improve conditions: The information available on social audits in electronics sector companies is insufficient to make any in-depth comments upon it. However, the garment factories studied have been audited several times in the knowledge of the workers. Workers are ambiguous about the effectiveness of the audits, but it appears that in the absence of effective regulatory inspections by the government agencies, social audits help to make employers comply with basic norms and standards. Neither the multi-stakeholder initiatives nor the brand auditing has resulted in any substantial wage increase. None of the auditing mechanisms seem to have changed the attitude of managements to freedom of association though most of them include it among the norms to be respected. To our understanding audits also have not changed the way managers and supervisors treat the workers and the methodology adopted by the audits is inherently flawed in assessing the real situation within the factories. Workers see the audit personnel as employed by brands and do not trust them. Giving the auditors information on the way managers and supervisors behave and on the actual conditions within the factory would invite retaliation from the management, workers fear.

Changes in the labour inspection system and political will to strengthen unions: Workers' rights are likely to be further compromised by changes to the system of labour inspection in industries and factories. This system has long been labeled "Inspector Raj" (Inspector Rule) by businesses, entrepreneurs and other concerned

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

interests, since they view it as restrictive. This is despite the fact that managements often prefer to comply with the strong demands of some inspectors as an easier and cheaper alternative to labour compliance. Moreover, the actual inspection rate in factories has declined sharply from 63.05% in 1986 to 17.88% in 2008 according to Indian Labour Statistics.¹³²

The new government at the Centre is in the process of instituting changes to the inspection system as part of its labour reforms. A computerized system will make random selections for an inspection based on data trends and objective, standardized criteria. These measures seek to take away the discretionary powers of India's 1800 inspectors to go on an inspection. Inspections will be of three kinds – mandatory, optional and based on compliance. Mandatory inspections will only take place in extreme cases, for example, when a serious or fatal accident takes place. Optional inspections will be automatically generated by the system based on the concerned organization's priorities. A Central Analysis and Intelligence Unit (CAIU) will be set up to collect and analyze field data in the case of inspection based on compliance, and cases will be referred to this unit for a decision on whether they merit inspection or not. All of these changes undermine a system of regular, consistent inspection at factories which could protect workers' rights to a certain extent. The new reforms will also bring into existence a single-window system for labour law compliance, in which companies will be able to cover 16 central laws in one go.

Selective political will to strengthen the power and position of unions has further affected the ability of workers to press for better standards in industry. It is largely based on the political affiliation of a union, and those not associated with a political party or specific party ideology are often neglected, while affiliated unions enjoy favour.

WAYS FORWARD

Working conditions in these two sectors can be positively affected by the joining of forces by various concerned institutions and organizations. The recommendations outlined below apply to brands also beyond those examined in this report. Recommendations for other stakeholders are briefly mentioned below.

Brands should carry out their human rights due diligence (as outlined in the UNGP) to ensure lasting change at the workplace. Basic rights like freedom of association

132 <http://www.epw.in/web-exclusives/myth-inspector-raj-india.html>

and the right to collective bargaining is a precondition for workers being able to voice their concerns and push for improved working conditions and higher wages. It must be a key priority for brands to ensure that these rights are implemented at the factory level. Brands are therefore urged to call for ¹³³:

- **A guarantee for the right to unionize:** the suppliers give a written guarantee that the workers have the right to organize themselves in accordance with their own wishes and/or establish a trade union chosen by the workers themselves.
- **Access agreements:** an agreement between the factory's management and trade union(s) in which the latter is guaranteed access to all workplaces.

There are still numerous factories in which workers have no place to turn with grievances on unfair labour practices. Brands should ensure that all workers have access to safe and efficient complaints mechanisms so that they without any risk of retaliation can draw attention to human rights violations - also in the absence of trade unions. A complaint mechanism could also facilitate the processing of complaints from a trade union or a human rights organization observing lack compliance.

Brands are expected to strongly voice their concerns in cases when the authorities of a producer country act in a repressive way against workers and their trade union representatives. Such repressive measures include retaliation against trade union leaders through legal mechanisms (e.g. law suits) or military/police violence against striking workers.

Brands should within their code of conduct adopt a living wage standard which is acceptable to all negotiating parties, and develop a step-by-step plan on how and when the formulated standard should be reached. Worker's voices should be respected by establishing the benchmark in consultation with national or regional unions and by carrying out regular revisions.

Another minimum requirement is that all workers should be ensured a permanent work contract. Short term contracts or the absence of formal contracts put the workers in a particularly weak position. Their need to raise concerns regarding poor or dangerous working conditions is seriously compromised, due to the fear of losing their job or of not getting their short-term contracts renewed. Furthermore, temporary contracts frequently impede workers' ability to join trade unions. Lastly, the lack of permanent contracts deprives workers of financial security, and contributes to their being trapped in poverty.

¹³³ <http://www.sagepub.com/dicken6/Sage%20articles/Chap%2010/ch%2010%20-%20miller.pdf>

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

The brands' purchasing practices undermine decent working conditions in various ways: Intense price pressure keeps wages low, short lead times push workers into intolerable long shifts, and the race to secure fast deliveries at lowest possible prices lead to frequent changes of suppliers. This means investment into workers' rights suffer accordingly.

Transparency in the supply chain is paramount in the struggle to link poor working conditions to the buyers of goods produced in factories, regardless of location. The disclosure of the brands' supplier list would ultimately be a strong incentive to avoid production at plants which fail to recognize basic rights, and is particular important in cases of deadly fires and the collapse of factory buildings, which call for immediate action from brands. This action would include urgent support and remediation for injured workers, or deceased workers' families¹³⁴. A transparent approach also means that information about any pilot projects (e.g. aim, methodology, location and stakeholders) should be open to relevant trade unions, human rights groups and other crucial stakeholders.

Today, many brands focus more on long term relationships with suppliers than before. Yet each year brands, for various reasons, shift a number of their suppliers. In the search for new factories, brands should always prioritize manufacturers that are able to demonstrate a pro-union attitude, with independent unions present at the factory level, willingness to cooperate to increase wages for workers based on brands' financial contribution (i.e. acceptance of higher prices) and documented ability to hire workers on permanent contracts.

According to the UNGP, governments are obliged to fulfill their duty to protect human rights. Home country governments need to take the lead in promoting greater supply chain responsibility of brands headquartered in the country through the development of new legislation to enforce ethical labour standards in their operations abroad. At present states are not generally required under international law to regulate such activities. They can also demand that state-owned enterprises and public institutions ensure that their suppliers and sub-suppliers comply with labor law in the country of production, as well as international labor standards.

Producer countries' governments have the indisputable duty to protect individuals, e.g. factory workers in line with international human rights law obligations. Furthermore, the state should protect against human rights abuse by third parties, including business enterprises¹³⁵. One crucial step to operationalize this duty is to secure the protection of trade unions and their leadership against retaliation of any kind and to take firm measures whenever such abusive behaviour occur. To

¹³⁴ See «Deadly Secrets» by International Labor Rights Forum (2012) <http://www.laborrights.org/sites/default/files/publications-and-resources/DeadlySecrets.pdf>

¹³⁵ http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

be able to function properly in their mission to improve working conditions and to bargain collectively, trade unions must enjoy safe and predictable conditions in which the state plays a vital role.

Also, instruments like the OECD Guidelines for Multinational Enterprises, and the complaints mechanisms envisaged under it need to become more robust, so that production country entities like trade unions can access them easily. Similarly the UN Guiding Principles on Business and Human Rights (UNGP) need to gain greater acceptance from businesses, particularly the corporate responsibility to respect human rights. One of the UNGP's important pillars, the access to remedy, needs to be strengthened and popularized.

Multi-stakeholder initiatives have considerable reach and some of them are monitoring and/or verifying working conditions in a large number of factories on behalf of their member brands. The MSIs can provide a good opportunity for company engagement to ensure workers' rights, for cooperation, information exchange, mutual learning, training programs and workshops.

The ILO, with its tripartite structure, is called upon to increase its capacity to highlight the need for living wages and to urge member governments to change their traditional approach to a more proactive one. Developing country governments need to stop underselling their labor sector by setting legal minimum wages too low, and must intensify dialogue with big brands on how to lift millions of workers out of poverty by paying a living wage.

International trade union organizations and their country affiliates need to redouble their efforts to unionize workers in the factories, and in bringing pressure upon brands to improve the working conditions of workers in their supply chains.

Global framework agreements can be a means of improving industrial relations, since they provide a platform for negotiation between multinational enterprises and global unions. These agreements can, under ideal conditions, ensure that companies follow a minimum of labor standards in all countries in which they operate. Some of these agreements also include the supply chain and could provide a means of improving conditions within big companies and their supply chains.

International campaigns and solidarity efforts for workers' rights have successfully stirred the collective conscience of the world towards the pitiable condition of workers in the garment and electronics industries. Evidence based campaigning has been found to be an effective tool in changing the situation, and the coordination between local and global civil society organizations will go a long way to bring about better working conditions.

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

Workers are the best monitors of the labor standards of their workplaces. Empowering them should be a top priority. The garment and electronics sectors have the potential to provide decent work and a dignified living to millions of people in the developing and least developed countries. This capacity has to be fully utilized to lift workers out of poverty, towards a fulfilling present and future.

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Appendices

APPENDIX I: SELECTED PROVISIONS OF INDIAN LABOUR LAWS RELEVANT TO MANUFACTURING SECTORS INCLUDING GARMENTS AND ELECTRONICS

I. Section 25F of Industrial Disputes Act (IDA), 1947

According to the section, an employer must satisfy the following conditions before retrenching an employee who is employed for a continuous period of not less than one year.

- a. the workman has been given one months' notice in writing indicating the reasons for retrenchment and wages for the period of the notice
- b. the workman has been paid, at the time of retrenchment, compensation which shall be equivalent to fifteen days average pay [for every completed year of continuous service] or any part thereof in excess of six months and
- c. notice in the prescribed manner is served on the appropriate Government [or such authority as may be specified by the appropriate Government by notification in the Official Gazette].

<http://indiankanoon.org/doc/1056316> (17/11/2014)

Mind the gap: *How the global brands are not doing enough to ensure a dignified life for workers in the garment and electronics industry in India.*

II. Rule 13 of the Industrial Employment (Standing Orders) Central Rules, 1946

For terminating employment of a permanent workman, notice in writing should be given either by the employer or the workmen-one month's notice in the case of monthly-rated workmen and two weeks' notice in the case of other workmen; one month's or two week's pay, as the case may be, may be paid in lieu of notice.

http://pblabour.gov.in/pdf/acts_rules/industrial_employment_standing_orders_rules.pdf (17/11/2014)

III. Section 79 to 84, Factories Act 1948

The sections state minimum provisions for annual leave that a worker is eligible for. A worker is entitled to, in every calendar year, annual leave with wages at the rate of one day for every 20 days of work performed in the previous calendar year, provided that he had worked for 240 days or more in that year. The worker can apply in writing to the manager for leave at least 15 days before his expected start of leave day. However, in case of sickness, no such application has to be made and the worker has to be paid the wage for the leave period. Application for leave should not normally be refused. http://www.delhi.gov.in/wps/wcm/connect/doi_labour/Labour/Home/Acts+Implemented/Details+of+the+Acts+Implemented/The+Factories+Act+1948/Chapter+8 (17/11/2014)

IV. Section 59 of Factories Act, 1948

The section provides for extra wages for overtime work. If a worker works for more than nine hours in a day or for more than forty-eight hours in a week, he shall, in respect of overtime work, be entitled to wages at the rate of twice his ordinary rate of wages.

<http://indiankanoon.org/doc/920715> (19/11/2014)

V. Rule 1 and 1 (a) of Vth schedule of Industrial Disputes Act, 1947

According to Rule 1, interfering with, restraining from, or coercing workmen in the exercise of their right to organize, form, join or assist a trade union or to engage in concerted activities for the purposes of collective bargaining or other mutual aid or protection is treated as 'unfair labour practice'.

Rule 1 (a) includes any threatening of workmen with discharge or dismissal by the employers, in case of joining a trade union as 'unfair labour practice'.

<http://www.advocatekhoj.com/library/bareacts/industrial/schedule5.php?Title=Industrial%20Disputes%20Act,%201947&STitle=Unfair%20Labour%20Practices> (19/11/2014)

VI. Section 3 of Industrial Disputes Act, 1947

In the case of any industrial establishment in which one hundred or more workmen are employed or have been employed on any day in the preceding twelve months, the appropriate Government by general or special order requires the employer to constitute the Works Committee consisting of representatives of employers and workmen engaged in the establishment. The number of representatives of workmen on the committee shall not be less than the number of representatives of the employer.

<http://indiankanoon.org/doc/452505> (19/11/2014)

VII. Sec 41-G of the Factories Act, 1948

The section provides for mandatory setting up of Safety Committee, consisting of equal number of representatives of workers and management to promote co-operation between the workers and the management in maintaining proper safety and health at work and to review periodically the measures taken.

<http://indiankanoon.org/doc/1527658> (19/11/2014)

VIII. Section 28, Rules of the Road Regulations, 1989

A driver of goods carriage shall not carry in the driver's cabin more number of persons than that is mentioned in the registration certificate and shall not carry passengers for hire or reward.

<http://transport.bih.nic.in/Acts/The-Road-Regulations-Rules-1989.pdf> (19/11/2014)

IX. Section 6 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952

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