Cividep India

BRIEFING PAPER:

Non-Financial Disclosures, Working Conditions and Corporate Accountability in Supply Chains

OCTOBER 2024

About this Report

Cividep India authored this report with support from Fair Finance Asia.

About Cividep India

Cividep India is an Indian non-profit organisation that focuses on advancing worker rights and corporate accountability in global supply chains. Based in Bangalore, and with field offices in other locations in South India, Cividep's work aims to safeguard the rights of communities, especially workers employed in global supply chains. To this end, Cividep conducts research on working conditions and corporate conduct across a range of export-oriented industries, engages in worker education, and advocates for policy change.

Authorship

The report was written and researched by Sreyan Chatterjee (Research Consultant, Cividep India), with the assistance of Nandita Shivakumar (Coordinator, Research, Cividep India) and under the direction of Rekha Chakravarthi (Director, Research & Advocacy, Cividep India).

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Editorial Review and Contributions

Cividep India would like to thank: Bernadette Victorio (Program Lead, FFA), Srishty Anand (Research and Advocacy Advisor, FFA), Sodavy Nhong (Program Officer, Research and Advocacy, FFA), Victoria Caranay (Strategy Analyst, FFA) and Kyle Cruz (Knowledge and Communications Manager, FFA). In addition, Cividep India would like to thank

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Disclaimer

The information contained in this briefing paper is based on publicly available data and BRSR reports from the eight leading garment firms analysed. While Cividep India has endeavored to ensure the accuracy of the information presented, it cannot guarantee its completeness or absolute correctness. It is also meant for informational purposes only and is not to be interpreted as legal or investment advice in any form directly or indirectly.

The recommendations provided are intended to stimulate discussion and further research.

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LIST OF ABBREVIATIONS

ATR	Access to Remedy
BRSR	Business Responsibility and Sustainability Reporting
CSDDD	European Union Corporate Sustainability Due Diligence Directive
ESI	Employee State Insurance
FOA	Freedom of Association
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
INR	Indian Rupees
MCA 21	Ministry of Corporate Affairs 21 Portal
NGRBC	National Guidelines for Responsible Business Conduct
PAT	Profit after Tax
SASB	Sustainability Accounting Standards Board
SEBI	Securities Exchange Board of India
TFCD	Taskforce on Climate related Disclosures

EXECUTIVE SUMMARY

In this briefing paper, the author considers the specifics of the Business Responsibility and Sustainability Reporting (BRSR) non-financial disclosure in its relation to efforts of civil society organisations to improve wages and working conditions in the Indian garment industry. The focus has been on the garment sector, specifically eight leading firms (by market capitalisation) that are listed on the stock exchanges in India. Four themes are considered in this briefing paper – wages, informality, gender, and freedom of association. Initially a baseline for identification is laid down through the parameters of revenue from operations and profit after tax for each of the supplier firms after which each of the themes are considered. Wages show a significant gap between the various living wage standards and the reported median wages of the firms. Many supplier companies also have a wide gap between the pay of top management and that of workers. The author also observes a sizeable gender pay gap in the data of most of the suppliers. Contractualisation is observed to be significantly high, with around 1/5th of the workforce reported as being on contract while attrition is observed to be over 30 percent of the workforce. Gender pay gap as mentioned earlier is significant in a number of firms, showing a median of INR 483 per month. Reporting on freedom of association is observed to be very patchy: only a few suppliers were able to commit to the constitutional right of freedom of association while even fewer were able to provide details on recognised unions or on redressal of worker grievances. The paper ends with a section on recommendations that could be used to improve the reporting regime – focussing on expanding the scope of mandatory reporting of non-financial reporting, providing granular wage data particularly relating to the cost impact for suppliers, linking attrition statistics with contractualisation and, finally taking a syncretic approach with other public data sources.

Women at work at a garment factory shop floor. India's garment sector employs nearly 45 million, with women making up the majority of the workforce.

Credit: Adobe Stock

SECTION 1:

The Indian garment industry and non-financial disclosures

BACKGROUND

This briefing paper examines the landscape of non-financial disclosures in India as it relates to the efforts of civil society to advocate for better wages and working conditions in the garment manufacturing sector. The recent enactment of extraterritorial laws, such as the European Union Corporate Sustainability Due Diligence Directive (CSDDD) of 2024, the French Duty of Vigilance Law of 2017, and the German Supply Chain Law of 2021, significantly impacts the inter-firm, firm-state, and state-society dynamics within global production networks. In response, production countries are reinforcing their national sustainability frameworks for two main reasons: to prevent these extraterritorial laws from becoming bargaining chips in trade negotiations and to avoid any potential competitive disadvantage resulting from inadequate due diligence in supply chains, particularly with respect to issues of human rights.

In India, as of 2023, Business Responsibility and Sustainability Reporting (BRSR) norms have become mandatory for the top 1,000 public companies, i.e., those listed on the national stock exchange. Among these, we estimate that 10-15 companies are involved in garment manufacturing. This prompts the author to enquire about the data being disclosed under this new mandatory regime through the BRSR and its relevance for civil society in ensuring living wages and good working conditions. Through a thematic categorization focused on labour rights, this paper attempts to provide an initial insight into the type of relevant evidence that civil society actors can extract from the BRSR framework, the type of data they can advocate to be included, and ultimately, how this can guide their approach to advocate for responsible business practices. The data for this study pertains to 2022-2023 unless stated otherwise.

It is also important to note the rationale for our focus on non-financial reporting at this juncture. First, non-financial reporting provides insights into a company's social impact, unlike financial reporting, which primarily focuses on profitability. As a civil society group concentrating on labour rights in the garment sector and attempting to demystify corporate reporting for our audience in this position paper, we view the non-financial disclosure regime as a crucial node for feedback on labour rights metrics. Second, non-financial reporting is undertaken and regulated by different personnel within garment manufacturing firms and regulators, compared to financial reporting. This provides an opportunity to highlight risks that may not be visible to those accustomed to financial reports and their specificities. For civil society advocacy, analysis of non-financial reporting is thus crucial. Third, we see that in the BRSR, certain new data is available for analysis for the first time. While variable-wise analysis remains beyond the scope of this paper, it is important to provide a bird's-eye view of the data that emerge from a lens of workplace risks. These additional insights, such as median wages for each firm's production units, are not typically found in financial reporting or other voluntary sustainability disclosures and can provide critical insights into labour conditions.

Available literature highlights various labour rights violations in the garment sector, with four recurring key labour risks: wages, informality, gender-based risks, and freedom of association. For these labour risks, we see the following types of data available in the BRSR:

(a) Wages:

- wage level
- minimum wage coverage
- wage differentials

(b) Informality:

- contractualisation level
- attrition

(c) Gender Parity and Protection Against Gender Discrimination:

- gender pay gap
- post-maternity return to work

(d) Freedom of Association:

- access to remedy
- union coverage

It is crucial to consider the context of India's garment sector, which occupies an important place in the Indian economy, contributing around 2% to the Gross Domestic Product (GDP), 7% to the total industrial production, and 25% to total export earnings.[1] The sector plays a vital role in terms of its impact on working lives, directly employing nearly 45 million workers and supporting around 100 million workers in allied industries, making it the second-largest employer after agriculture.[2] In most production centres, this workforce is primarily composed of women. Therefore, studying this sector is essential, especially considering the predominantly stagnant female labour force participation rate of around 30 per cent in India.[3]

Despite its significant role, the sector's contribution to the GDP has declined over the past few years, dropping from USD 108 billion in 2017 to USD 100 billion in 2021.[4] This trend indicates either a struggle to add value or an extraction of added value by other players in the supply chain. Scholars highlight two key issues:[5] first, despite government support in the form of subsidies for capital investment, Indian firms are unable to make a technological leap above their global competitors. Second, harsh working conditions in the garment industry, characterized by shop floor harassment and intense work demands, exacerbate the challenges.[6] These conditions are further worsened by minuscule membership rates for trade unions, low collective bargaining activity permitted by the garment manufacturing companies, and unfair business practices.[7]

METHODOLOGY

Using data primarily from BRSR reports, the author focused on a select set of supplier firms. This selection included the top eight listed firms in the garment industry, chosen based on their market capitalisation. Market capitalisation measures a firm's size in terms of its shareholding, calculated by multiplying the total equity shares available at the current market price.[8] While the report does not offer a comprehensive representation of the entire industry, it provides a snapshot to initiate a discourse on the usefulness of these disclosures for stakeholders interested in engaging with the industry and regulators. Firms constituting sizeable segments of any given industry have the opportunity to lead sustainability practices through proactive adoption of standards, reporting, and implementation within their supply chains, facilitated by their broader market spread and bargaining power compared to the average firm in the industry.

We have used two broad parameters to assess supplier firms: the revenue from operations and their revenue from exports as a proportion of total revenue alongside Profit After Tax (PAT) (Table 1). These parameters serve as fundamental indicators of the attractiveness of these firms as investment targets.

Revenue from operations, essentially revenue or sales, allows investors to understand how much business a firm conducts in terms of cash acquired through selling goods. Profit after tax, or net profit, shows how much cash obtained from customers is retained by the firm after paying wages, raw material costs, and logistics. This parameter provides investors with insights into the firm's profitability.

In this sample set, the average revenue from operations is approximately 5,238 crore Indian Rupees (INR), with a median value of 5,268 crore INR. The average contribution of export revenue is approximately 57% among the selected firms, with a median value of 48.6%. This underscores the importance of the connection to global value chains, although there is remarkable variety among the firms. Some companies derive over 90% of their revenue from exports, while others have below ten per cent contribution (Table 1).

Regarding the profit after tax, we note an average figure of 260 crore INR, with a median value of around 249 crore INR. Although profitability varies, with only one firm showing clear losses in the previous year, it is evident that the sector has difficulty sustaining profitability overall (Figure 2).

Table 1: Revenue from Operations and Revenue Proportion from Exports of Supplier Firms.

Name of Firm	Revenue from Operations (INR CR)	Revenue Proportion from Exports (%)
ARVIND LTD	7774	44
PEARL GLOBAL INDUSTRIES LTD	1134	99.06
GOKALDAS EXPORTS LTD	1821	90
RAYMOND LTD	4514	5.6
WELSPUN LIVING LTD	5796	86
TRIDENT LTD	6291	53
KPR COTTON & OIL MILLS PVT LTD	4739	37.52
VARDHAMAN TEXTILE COMPANY PVT LTD	9841	44.27

Figure 1: Revenue from Operations for each supplier firm.

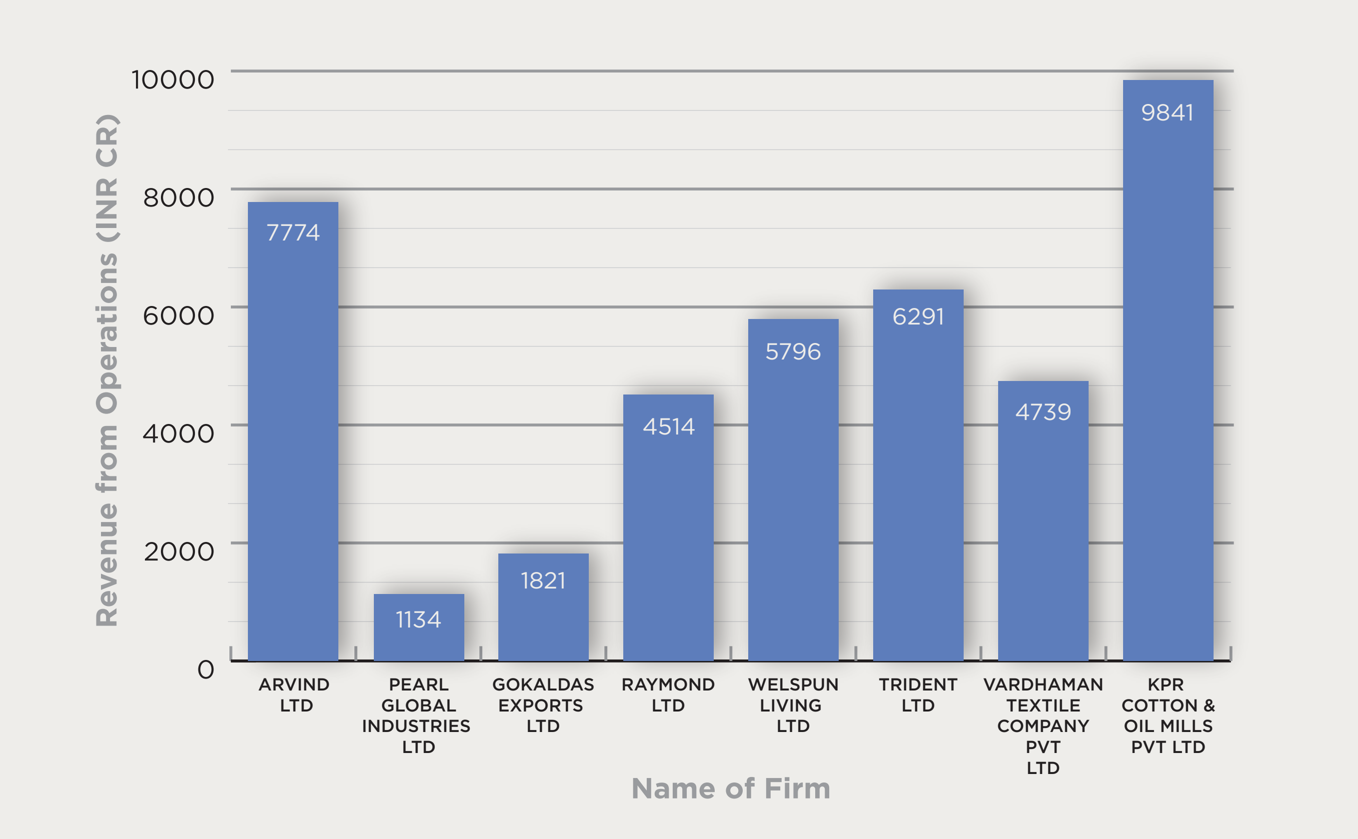


Figure 2: Profit after tax (PAT) for each supplier firm in the same set.

The Securities and Exchange Board of India (SEBI) has made it mandatory for the top 1000 listed companies by market capitalization in the Indian stock exchange to report their sustainability performance through the BRSR format from the financial year 2022-2023 onwards.

Credit: Adobe Stock

SECTION 2:

Promoting Responsible Business Conduct

EVOLUTION OF NON-FINANCIAL REPORTING IN INDIA

Non-financial disclosures have traditionally been perceived to have a secondary role compared to financial disclosures. However, the escalation of human rights violations in global value chains and the consistent campaigns by human rights groups over the last several decades has led companies to prepare autonomous and independent non-financial reports, highlighting their impact on environmental, social, and governance (ESG) issues.[9] However, information provided through such disclosures varied significantly between companies, hindering cross-comparison.

In this context, several institutions, such as the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), and the Task Force on Climate-related Financial Disclosures (TCFD), began developing standardised reporting formats for non-financial disclosures by companies.

In 2009, the Ministry of Corporate Affairs (MCA) in India released the Voluntary Guidelines on Corporate Social Responsibility (CSR), which focused primarily on community development around business operations. This was the first step towards mainstreaming the concept of responsible business conduct in India. Subsequently, in 2011, the Ministry released a second set of guidelines called the National Voluntary Guidelines (NVGs) on Social, Environmental, and Economic Responsibilities of Business.[10] These provided broader guidance on responsible business conduct.

Building upon the NVGs, the Securities and Exchange Board of India (SEBI), the nodal body for regulation of capital markets in India, mandated non-financial reporting in India in 2012, requiring the top 100 listed companies in India, by market capitalization to file a Business Responsibility Report (BRR). The aim was to encourage businesses to go above and beyond regulatory financial compliance and incorporate reporting on their social and environmental impacts.

The NVGs were revised, upgraded, and released in 2019 as the National Guidelines on Responsible Business Conduct (NGRBC) to align with the United Nations Guiding Principles (UNGPs, 2011) and the UN Sustainable Development Goals (SDGs, 2015) (Image 1).[11] To further align with the NGRBC, SEBI introduced a new sustainability reporting format called Business Responsibility and Sustainability Reporting (BRSR) in 2021. SEBI also made it mandatory for the top 1000 listed companies by market capitalization in the Indian stock exchange to report their sustainability performance through the BRSR format from the financial year 2022-2023 onwards.[12]

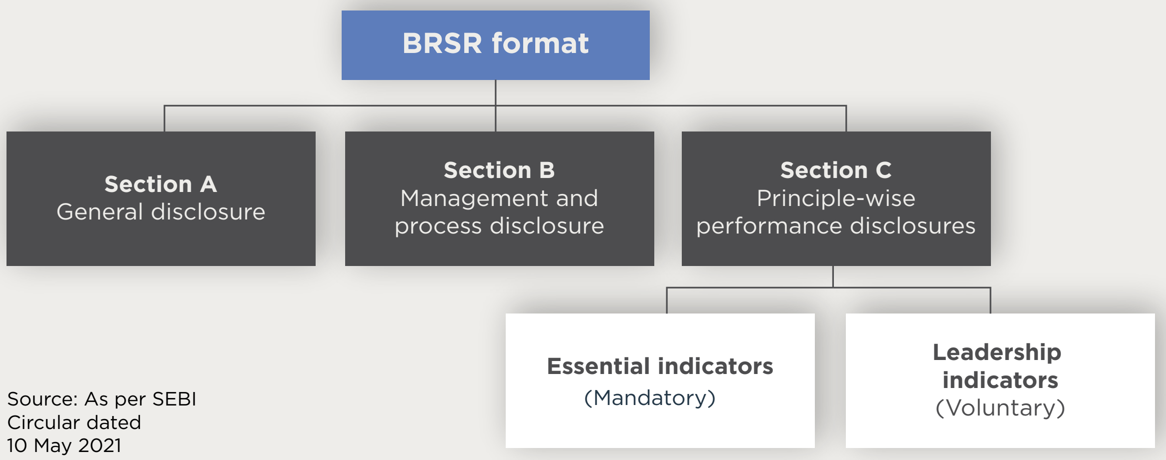
Image 1: Principles of National Guidelines for Responsible Business Conduct

Source: https://indiacsr.in/what-is-brsr-and-what-are-the-9-principles-of-brsr/

STRUCTURE AND FORMAT OF BRSR

The BRSR serves as a tool to review how the top companies in India align themselves with the nine principles of the NGRBC. The reporting structure is divided into three sections (Image 2):

Image 2: The BRSR Reporting Form Structure



Source: As per SEBI Circular dated 10 May 2021

Section A: General Disclosures

This section aims to obtain basic information and details of the listed entity, including their products and services, operations, employees, transparency and disclosure requirements and compliances, subsidiary companies, holdings, joint ventures, and CSR.

Section B: Management and Process Disclosures

This section contains questions related to policy and management processes, governance, leadership, and oversight. Wherever relevant, companies have been asked to provide links to their websites where these policies are available.

Section C: Principle-Wise Performance Disclosures

In this section, companies are required to report on Key Performance Indicators (KPIs) that align with the nine NGRBC principles.

Further, companies are required to report on two parameters for each principle, which are:

- **Essential Indicators (mandatory):** These are the indicators that the company mandatorily needs to report, which include environmental data such as energy, emissions, water, and waste; training conducted; community initiatives undertaken by the company; and social impact created by the company.
- **Leadership Indicators (voluntary):** These indicators are not mandatory to be reported by the company yet. However, companies are expected to comply with these indicators for better accountability and transparency. Some KPIs include life cycle assessments (LCAs), details on conflict management policy, additional data on biodiversity, breakdown of energy consumption, Scope 3 emissions, and supply chain disclosures.

A typical day at a garment factory in Bengaluru, India, a major production centre. Here, the average minimum wage for tailors stands at 11,400 INR per month, which falls short of various living wage standards.

Credit: Cividep India

SECTION 3:

Wages

Wages or compensation offer a fundamental insight into the balance of bargaining power between workers and management. There has been stagnation in the garment sector in terms of actual wages[13], with minimal revisions in minimum wages.[14] On the one hand, wages are subject to the discretion of manufacturers, which is shaped by prevalent market norms of pay. On the other hand, they are also subject to statutory or legal mandates, with the appropriate government setting the minimum wage standards. In India, state governments primarily legislate minimum wages for sectors, while the union government sets overarching standards. Consequently, minimum wages vary significantly across production centres. For example, in Bengaluru, the average minimum wage for tailors is 11,400 INR per month.[15] However, despite periodic revisions of living wage estimates by various stakeholders, as the most 'flexible cost center in production', garment sector's labour cost remains under serious downward pressure. Monthly living wage estimates range between 18,000 INR (academic-led)[16] to 26,000 INR (trade union-led)[17] and up to 33,000 INR (CSO-led).[18]

Two key facts emerge: minimum wage setting in this sector falls short of various living wage standards, and compliance with minimum wages remains challenging for most garment manufacturing companies outside of Tier 1 companies integrated into global production networks.[19]

One of the most critical implications of non-financial disclosures for workers is thus the reporting on wage payments. Wages are further categorised into wages for permanent and contractual workers. They represent the most flexible cost component in a firm's balance sheet and are subject to changes in response to external economic shocks or dips in firm profitability.[20] However, wages are critical to sustaining worker lives and are central to worker representation and struggles. Thus, they represent a critical site of contestation where disclosures can provide a factual framework for all stakeholders – workers and trade unions, industry, and regulators.

Figure 3: Workforce Size

In this section, the initial step involves examining the size of the workforce (Figure 3) to gauge the immediate impact of wage policy on each supplier firm. Next, the focus is on the median wages for workers, categorized separately for male and female workers. Two charts are presented: the first includes all firms in the sample set (Figure 4). In contrast, the second (Figure 5) excludes one that has reported significantly different wages from the rest (see textbox below for explanation).

The median value for male workers is INR 14,245, while the median value for female workers is INR 11,649. It is important to note that the median value represents the middle or most common value within the sample set, differing from the average value, which is derived by dividing the arithmetic sum by the total number of discrete instances (in this case, the number of workers). Noting that living wages in this sector have been pegged between 18,000 INR to 26,000 INR and the highest being 33,000 INR, the reported figures are not only challenging to verify comprehensively but also are well off the mark that is expected under several standards (Figure 6).

In the sample set of eight firms, we note that one firm reported significantly different wages from the other seven firms. While further analysis and disclosures are required to state the reason for such divergence definitively, there could be several possible and interconnected reasons.

One is that the firm is not exposed as much to global supply chains as the rest of the firms in this sample set, showing that exports as a proportion of net sales are below 10%, while others are in the range of 37-99%. This means the firm does not have to cater to the contracting demands typical of global brands and buying companies in the Global North. Focusing on the domestic market for garments allows a firm to control higher-margin parts of the value chain, such as design, applied R&D, and logistics.[21]

Second, this higher profit margin may translate into higher wages being earmarked for workers. It stands to reason, of course, that the market logic of lowering costs for wages would still be in play, be it linked to the global supply chain or the domestic market – keeping deviation in actual wages paid to be low.

Figure 4: Median wages for each supplier firm in the sample set.

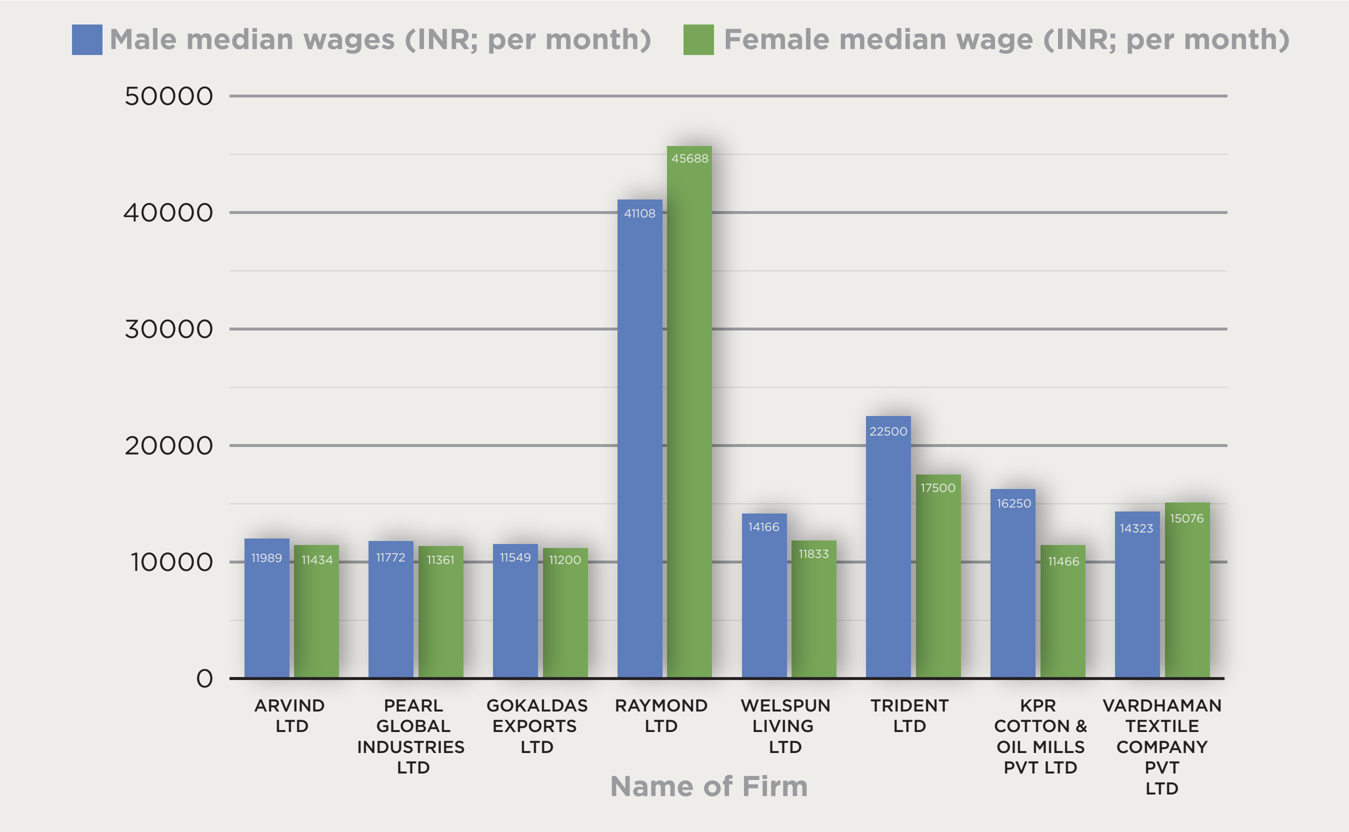
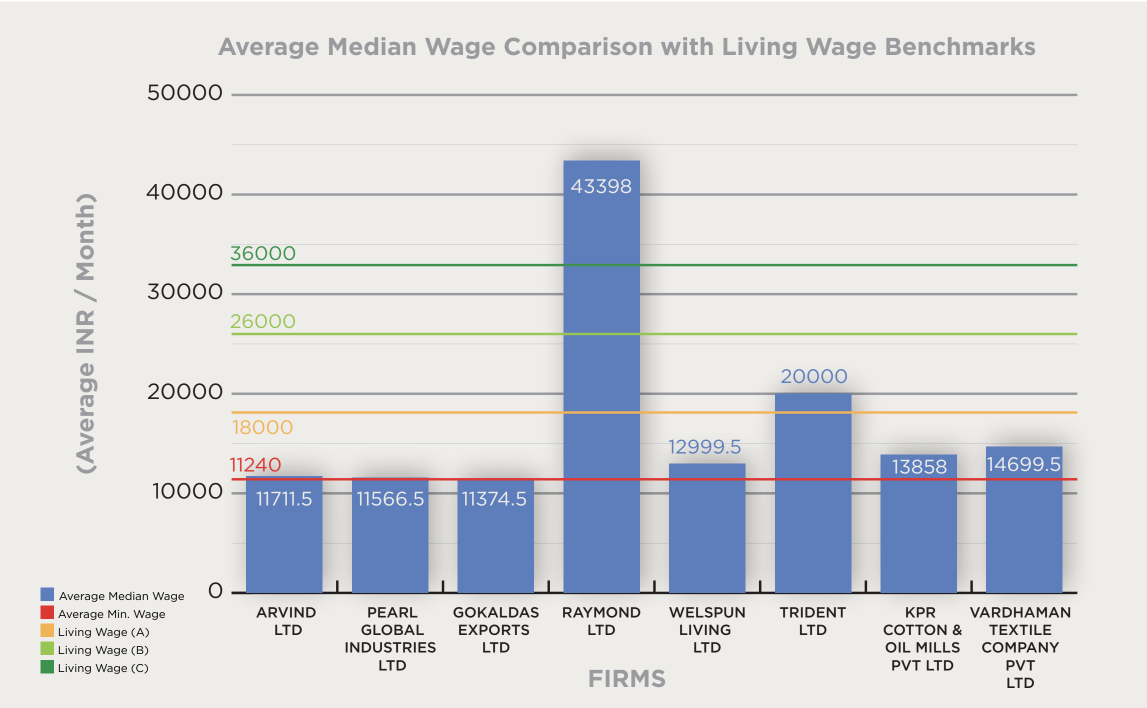


Figure 5: Median wages for each supplier firm in the sample set.

Figure 6: Gap between various living wage benchmarks and median wages paid.



Benchmark A – Living wage standard set by academic and trade union coalition.
Benchmark B – Living wage standard set by trade union demands.
Benchmark C – Living wage standard set by civil society organisations.

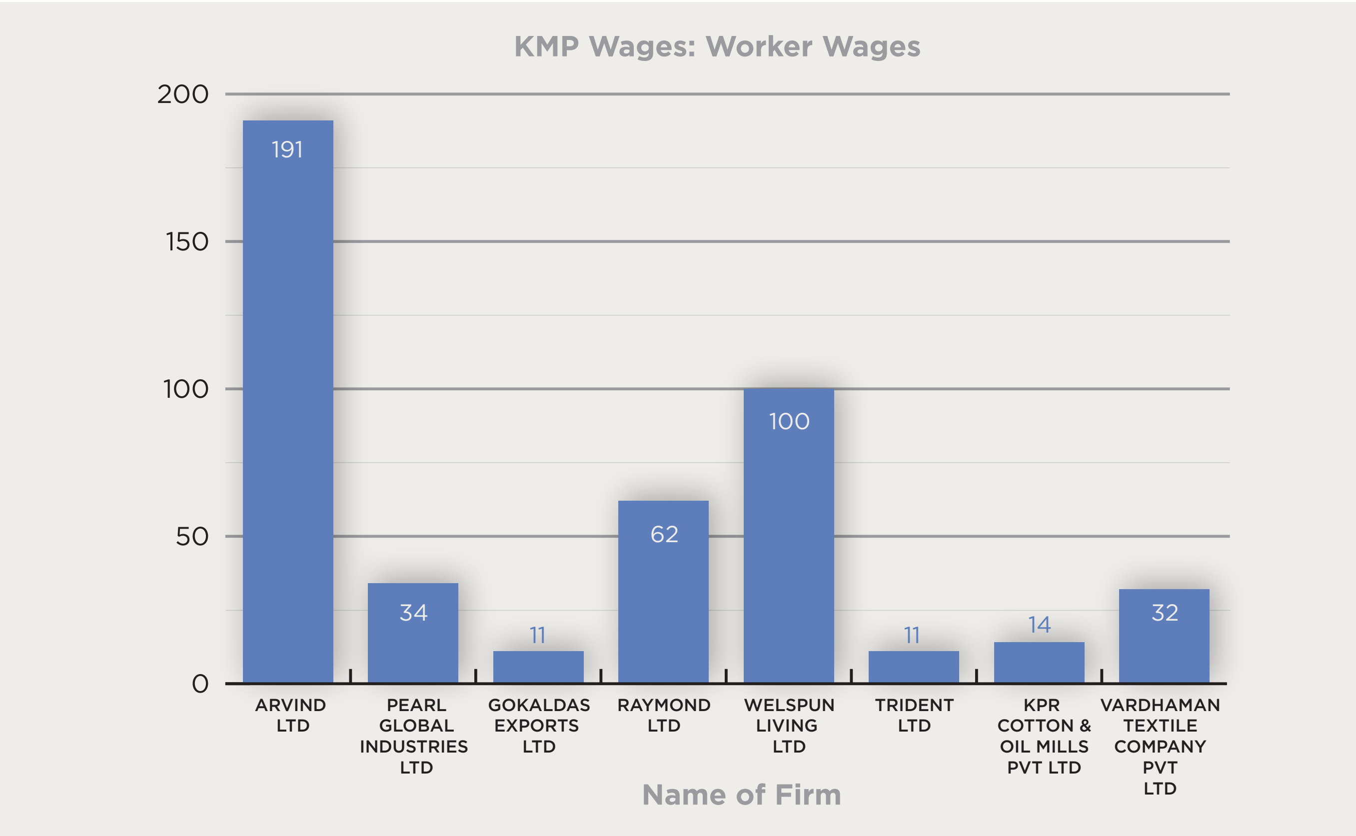
Benchmark	Living wage (in INR) as set by:	Living wage (in INR)
A	Academic & Trade Union Coalition	18,000
B	Trade Union Demands	26,000
C	Civil Society Organisations	33,000

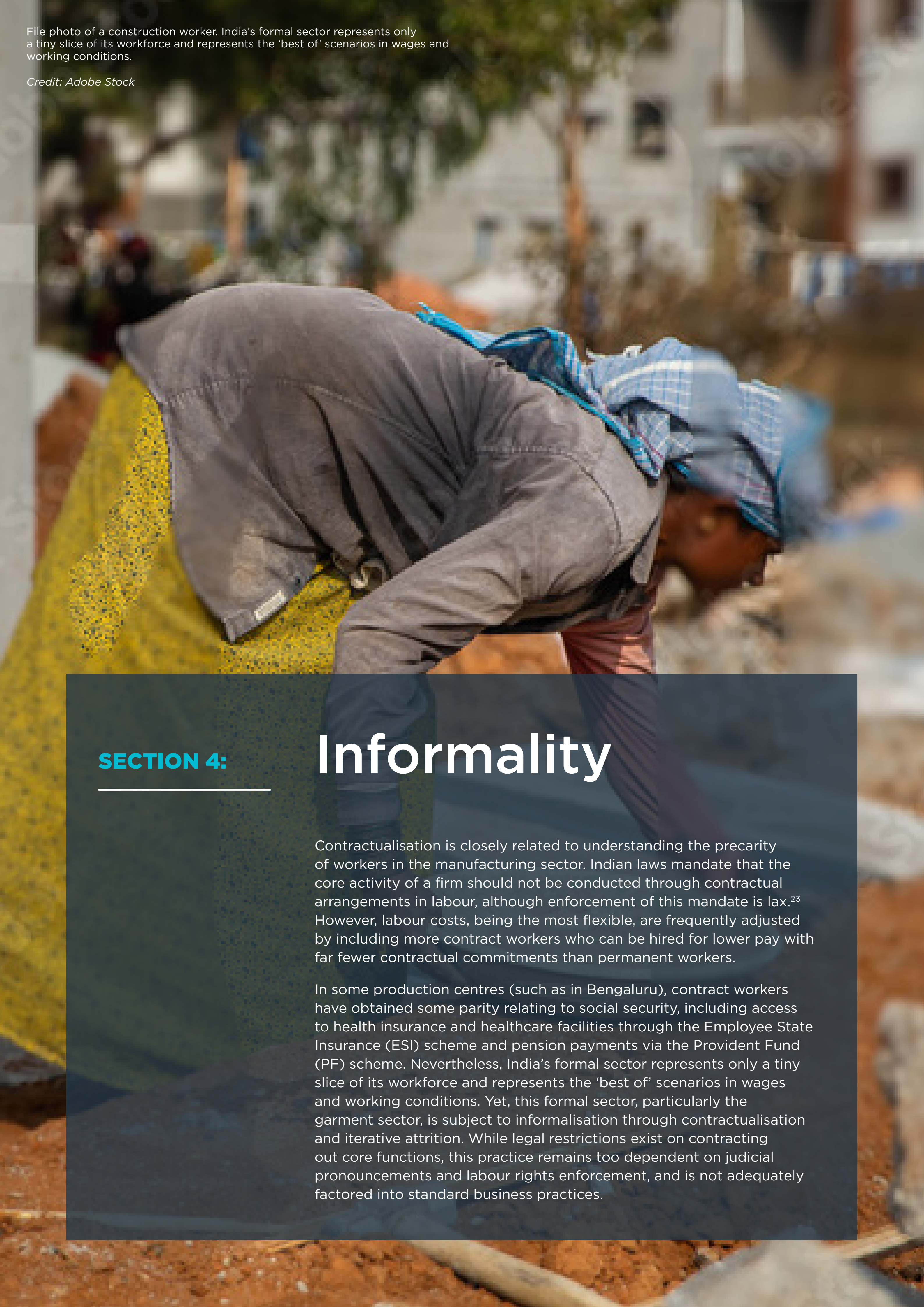
The next data point of interest is the minimum wage data, as it indicates compliance with minimum wage norms. However, despite various levels of granularity provided, such as reporting minimum- wage workers separately from those earning above the minimum and distinguishing between permanent and contractual workers, as well as male and female workers, the usefulness of such data remains limited. While the gender pay gap can be tracked (as seen in the later section), the lack of granularity prevents more detailed analyses, such as examining wages per geographical location.

For instance, minimum wage requirements vary across different geographical locations, yet this variegated nature of minimum wage compliance is not reflected in the BRSR data. The BRSR is not intended to be a legal compliance reporting tool but rather to aid discourse aimed at improving sustainability outcomes. In this context, it would be instructive to understand the wages paid in each production centre where a firm operates and the efforts made to pay minimum wage while bridging the gap between the location's minimum wage and labour market demands.

Regarding the ratio of wages between the Key Managerial Positions (KMP) and workers, we see a wide disparity in wage differential among firms, ranging from a ratio of 191:1 to 11:1. Comparing KMP compensation to worker wages is a popular tool employed globally by stakeholders to highlight the negative outcomes of financial incentives.[22] Wage policy and executive pay provide a crucial insight into the institutional vision of the relative importance of value creation for each stakeholder group – namely the KMPs and the workers.

Figure 7: Ratio of wages of key managerial personnel and workers





File photo of a construction worker. India's formal sector represents only a tiny slice of its workforce and represents the 'best of' scenarios in wages and working conditions.

Credit: Adobe Stock

SECTION 4:

Informality

Contractualisation is closely related to understanding the precarity of workers in the manufacturing sector. Indian laws mandate that the core activity of a firm should not be conducted through contractual arrangements in labour, although enforcement of this mandate is lax.[23] However, labour costs, being the most flexible, are frequently adjusted by including more contract workers who can be hired for lower pay with far fewer contractual commitments than permanent workers.

In some production centres (such as in Bengaluru), contract workers have obtained some parity relating to social security, including access to health insurance and healthcare facilities through the Employee State Insurance (ESI) scheme and pension payments via the Provident Fund (PF) scheme. Nevertheless, India's formal sector represents only a tiny slice of its workforce and represents the 'best of' scenarios in wages and working conditions. Yet, this formal sector, particularly the garment sector, is subject to informalisation through contractualisation and iterative attrition. While legal restrictions exist on contracting out core functions, this practice remains too dependent on judicial pronouncements and labour rights enforcement, and is not adequately factored into standard business practices.

The BRSR disclosure shows the percentage of the contractual workforce for each company, which should be interpreted alongside attrition/turnover percentages. The latter metric reflects the trend of increasing contractualisation of the workforce or flexibility to aid production. However, more contractual workers create stratifications, making worker representation[24] and organising more challenging, ultimately leading to lower wages and diminished workplace quality indices.[25]

The study sample shows a minimum of zero contractual labour (which seems unlikely from existing literature and reports) and a maximum of nearly 32% (Figure 8). The average rate of contractualisation stands at 17.61%, with a median figure of 20.41%. These levels indicate the pricing pressure on suppliers to continually reduce labour costs.[26]

The BRSR disclosure provides attrition numbers as a percentage of the total workforce. Some firms show figures exceeding 100%, indicating that the entire workforce or its equivalent is being hired and terminated from service within one year. The average attrition value is nearly 62%, with a median of 34%, highlighting the heightened precarity of the workforce in this sector (Figure 9).

How are the metrics of contractualisation and attrition linked? Higher attrition can help to lower contractualisation figures. Consider a firm that can show zero contract workers and reports nearly 100% attrition. This implies that there is a consistent level of precarity, albeit not expressed as a high proportion of contract workers. It is noted that attrition is high for both permanent and contract workers. Thus, one of the main gaps in these metrics is that they remain silent about the net cost implications of these decisions for the firm. Disclosure about the net cost implications would remove the incentive for firms to offset contractualisation with attrition and encourage investment in mechanisms to retain and upskill the workforce.

Figure 8: Level of contractualisation

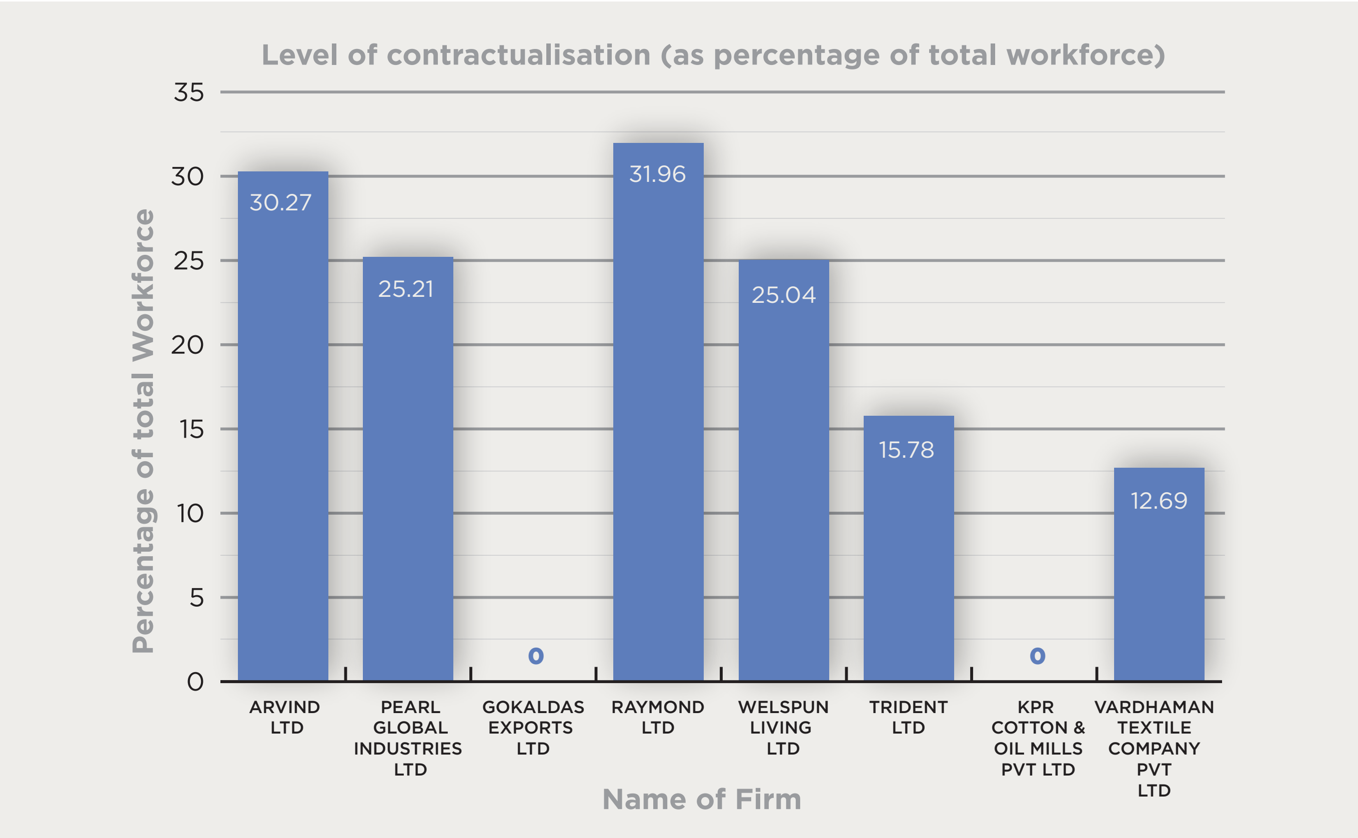
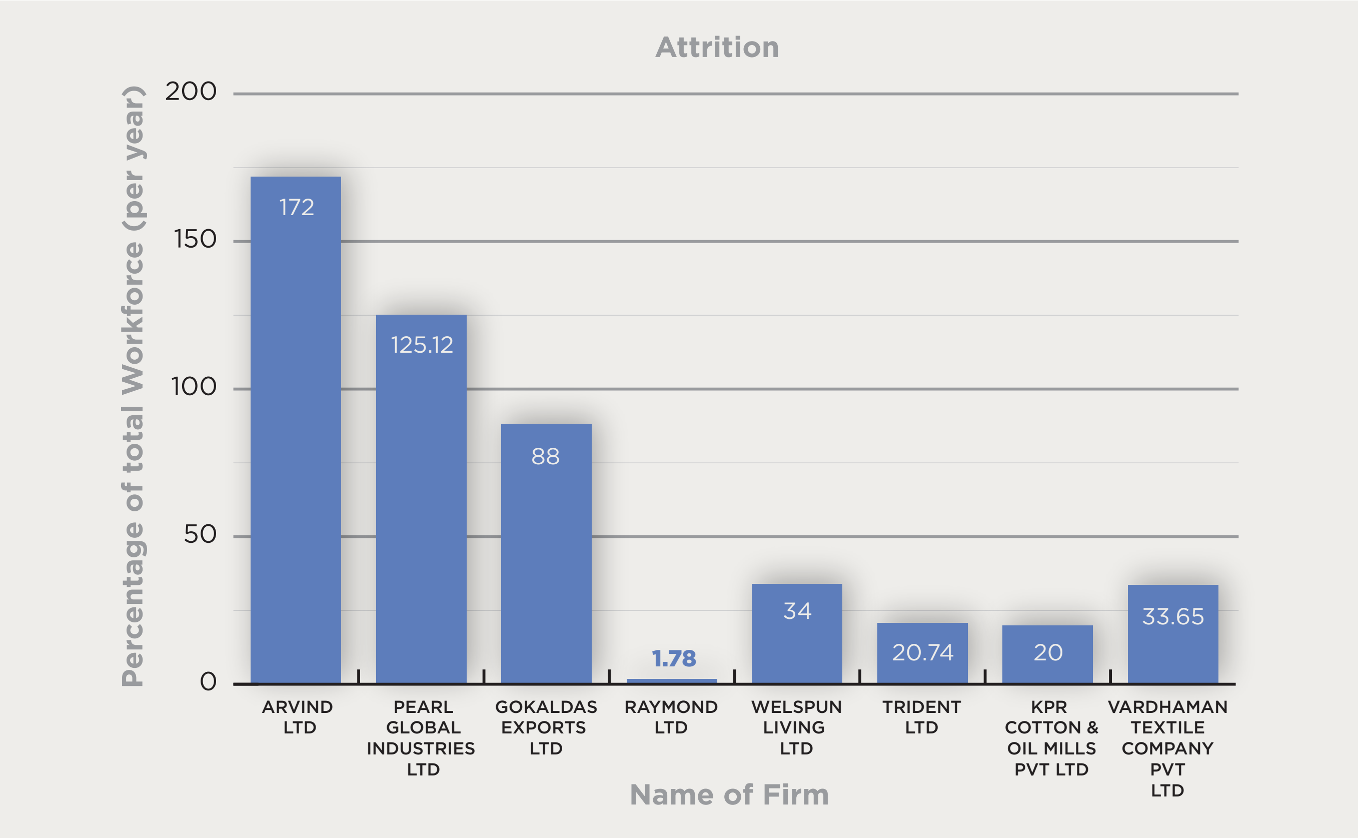


Figure 9: Level of attrition or the percentage of the workforce that has been altered for each supplier firm



A figure of 100 percent represents that the entire workforce has been replaced in one year.

Factory workers commute to work in Tamil Nadu, India. Indian female workforce has seen a multi-decade stagnation in the labour force participation rate

Credit: Cividep India

SECTION 5:

Gender Pay Gap and Protection against Gender Discrimination

At the outset, it is essential to mention that the Indian female workforce has seen a multi-decade stagnation in the Labour Force Participation Rate (LFPR[27]) - around 30% since 1992. Although there has been a slight improvement in LFPR in the last couple of years, it is clear that the quality and volume of jobs available for women need to be considered as a critical policy objective.

The garment industry in India is largely feminised, though not uniformly across major production centres. For example, Delhi NCR has a majority of male workers, while Bangalore and Tirupur have a predominantly female workforce. Analyzing the Gender Pay Gap (GPG) is crucial because trends in this sector can influence other manufacturing sectors. The BRSR disclosure provides median wages differentiated by gender, which can show progress in eliminating gender pay gaps. Gender pay gaps exist in all but two firms. While pay gaps are smaller in Tier 1 garment factories in Bengaluru, overall wage levels also appear to be lower. The average GPG is around 1,012 INR per month, with a median of 483 INR per month (Figure 10).

Another related gender metric here is the Return to Work (RTW) percentage, which indicates how inclusive the workplace is for a predominantly feminised workforce. RTW analyzes the rate of female workers returning to the workforce after a maternity break. The median RTW is 64.5%, while the average is 67% (Figure 11).

Figure 10: Gender pay gap for each supplier firm

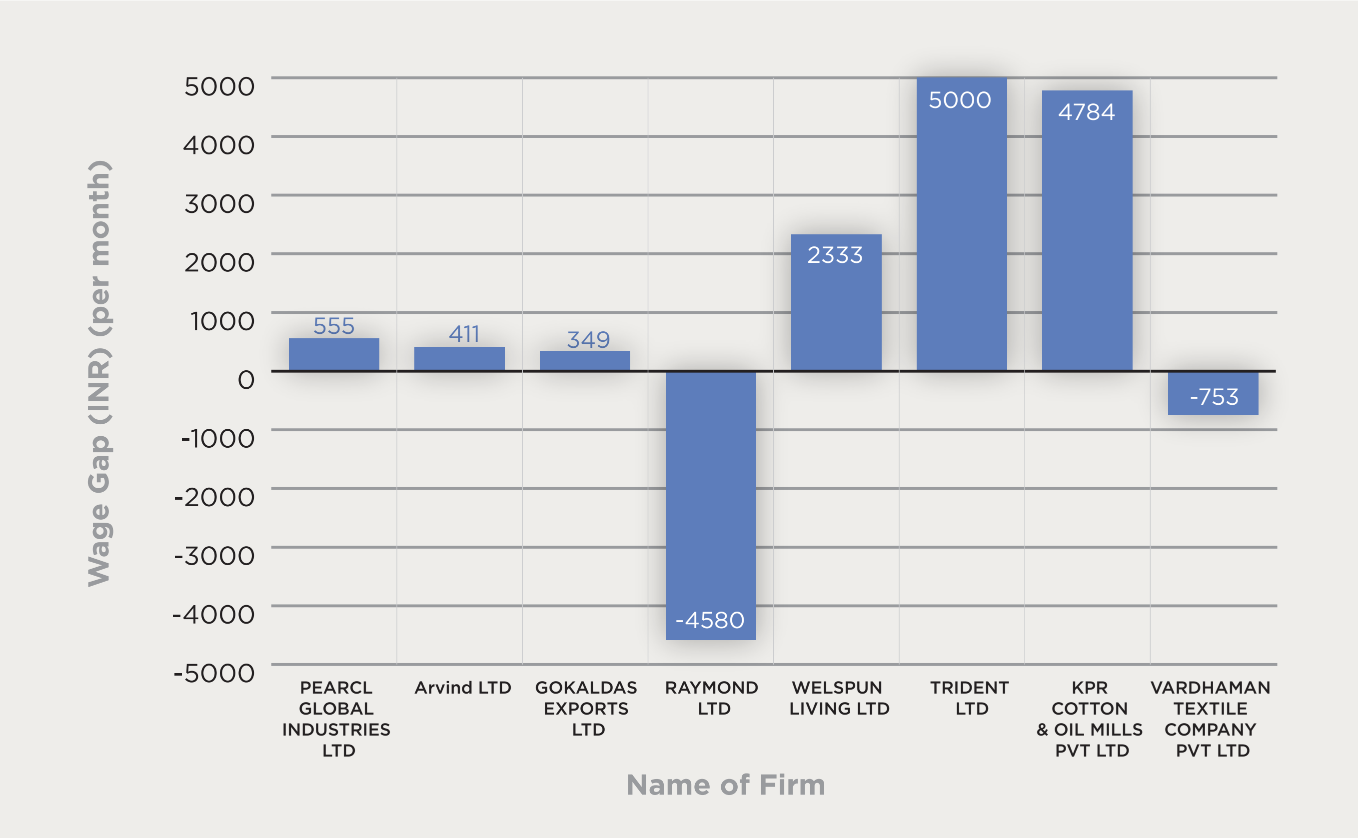


Figure 11: Post-maternity return to work rate for each supplier firm

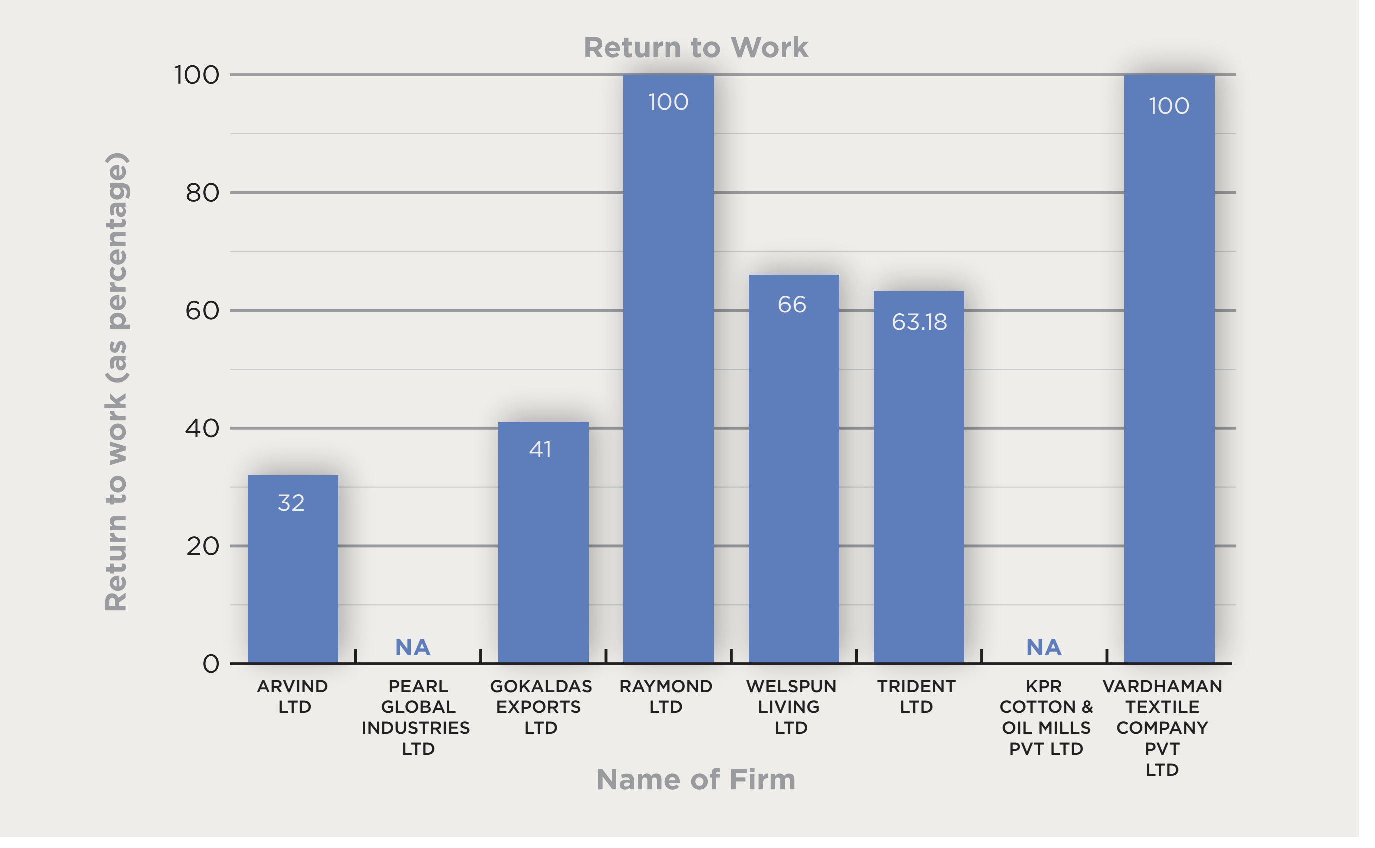


Table 2: Gender Discrimination statistics for each supplier firm in the sample set.

Name of Firm	Gender Pay Gap (median male wage-median female wage)	Post Maternity Return to Work Rate (percent)
ARVIND LTD	555	32
PEARL GLOBAL INDUSTRIES LTD	411	NA
GOKALDAS EXPORTS LTD	349	41
RAYMOND LTD	-4580	100
WELSPUN LIVING LTD	2333	66
TRIDENT LTD	5000	63.18
KPR COTTON & OIL MILLS PRIVATE LTD	4784	NA
VARDHAMAN TEXTILE COMPANY PVT LTD	-753	100

Garment workers participate at a forum organised by a garment worker union in Bengaluru. Under the current BRSR reporting format, there is no data available to track the growth of collective bargaining or Freedom of Association (FoA).

Credit: Adobe Stock

SECTION 6:

Freedom of Association

Regarding Access to Remedy (AtR), there is a noticeable lack of granular data. Although measures for AtR are available to workers, there is no accessible web resource for external observers to review this data. If access to remedy is considered an important indicator of mature employment relations, then it is expected there should be a reporting of actual complaints, not merely a report of no complaints. Similarly, simply reporting the full disposal of complaints without a breakdown of the types and resolutions leads to issues in reporting incentives and lacks a feedback mechanism to complete the loop of reporting and remedy.

Union coverage presents another challenge. Employee association or union recognition is subject to stringent legislation and policy requirements, and replicating this high bar in reporting provides very little valuable data. For instance, companies could report the presence of unrecognised unions and their engagement. However, there is no data is available to track the growth of collective bargaining or Freedom of Association (FoA) or their impact on workplace outcomes.

Under Indian law, the Trade Union Act of 1926 (TU Act) governs worker representation with the following objectives:

(a) Provide legal and corporate status to registered trade unions

(b) Offer protection and immunity from civil and criminal liabilities to executives and members of the registered unions for bona fide union activities

(c) Regulate the functioning of trade unions and prescribe modalities and rules for the functioning of such trade unions.

While the TU Act guided the registration process of trade unions, it did not empower them to undertake any collective bargaining activity. It is crucial to understand the difference between registration and recognition: registration acknowledges the existence of a union by the state, but there is no corresponding obligation for employers to engage in collective bargaining. Recognizing the trade union as a valid representative with whom the employer must negotiate is critical for consistent and successful engagement with employers.

Interestingly, some state-level laws (e.g., in Maharashtra and Gujarat) address this gap in union law and define rules for granting recognition to trade unions and promoting collective bargaining. Examples include the Maharashtra Industrial Relations Act of 1946 and the Maharashtra Trade Union Prevention of Unfair Labour Practices Act of 1971.[28] However, such an intrinsic labour right as collective bargaining has never been codified at the union level. The recently passed Industrial Relations Code of 2020 provides some room for recognition, but as it remains unenforced, this gap remains unfilled.

BRSR disclosures can play a pivotal role by including information on worker representative organisations or unions. Firms should disclose operational registered trade unions within their value chain, recognised trade unions, the contours of their recognition, and the outcomes of (a) collective bargaining with the recognised trade union and (b) engagement with the registered trade unions.

Table 3: Statistics of worker complaints and disposal rates in the sample set

Name of Firm	Worker Complaints Registered	Granular Disposal Data Present	Rate of Disposal (percent)
ARVIND LTD	7	No	100
PEARL GLOBAL INDUSTRIES LTD	0	No	NA
GOKALDAS EXPORTS LTD	0	No	NA
RAYMOND LTD	0	No	NA
WELSPUN LIVING LTD	0	No	NA
TRIDENT LTD	Over 100	No	100
KPR COTTON & OIL MILLS PVT LTD	0	No	NA
VARDHAMAN TEXTILE COMPANY PVT LTD	0	No	NA

Table 4: Freedom of Association statistics of firms in sample set.

Name of Firm	Union Coverage (%) of Permanent Workforce (M)	Union Coverage (%) of Permanent Workforce (F)	No. of Recognised Unions	Stated Policy Intention to negotiate with unions
ARVIND LTD	46	1	Not clear	No
PEARL GLOBAL INDUSTRIES LTD	0	0	0	No
GOKALDAS EXPORTS LTD	0	0	Not clear	Yes
RAYMOND LTD	100	100	Not clear	Yes
WELSPUN LIVING LTD	43	43	Not clear	No
TRIDENT LTD	0	0	0	No
KPR COTTON & OIL MILLS PVT LTD	0	0	0	No
VARDHAMAN TEXTILE COMPANY PVT LTD	0	0	0	No

SECTION 7:

Recommendations and the way forward

Image Credit: Adobe Stock

1. WAGE DISCLOSURES IN BRSR:

There is an urgent need for BRSR disclosures to mention average wages for each type of worker – contractual and permanent. Aggregate wage costs help understand the price squeeze faced by supplier firms, necessitating wage cost reductions. Wage disclosures are unique to the BRSR form, and they need to be strengthened by providing information not only on the wages themselves but also on the balance sheet implications for the firm or total spending on wages for workers. Further, wage reporting should be mapped to various job roles in the factory to enable like-for-like comparisons and track improvements. Wage reporting should also include a geographical mapping of a particular firm's production facilities and the wages paid to workers at each location. Since wage policies differ by job role and location, disclosures must clarify this. Principle 3 of the NGRBC, which emphasises the need to pay living wages, should be highlighted. This principle focuses on the well-being of both employees and their families as a goal for responsible business conduct in India.

→ This recommendation is intended for regulators, garment manufacturing companies, trade unions and research efforts by civil society organisations.

2. UNIFIED DATA PORTAL:

The data from BRSR disclosures must be unified under one portal, such as the MCA 21 portal, with basic analysis available in suitable formats. The raw data should also be uploaded in machine-readable formats such as .csv files instead of the current .pdf format. Although the BRSR is primarily seen as a listing obligation, stock exchange websites commonly host these forms. A level of collation and presentation of basic analyses is required to simplify access and facilitate its use as a feedback mechanism.

→ This recommendation is intended for regulators and research efforts by civil society organizations.

3. COLLATION WITH PUBLIC DATA SOURCES:

BRSR data need to be collated with other public data sources such as the Annual Survey of Industries, Periodic Labour Force Survey, Centre for Monitoring the Indian Economy data, and the Annual Reports of individual firms. This allows for a quick comparison of available data, understanding gaps in public data, reducing redundancy of disclosures where relevant, and, most importantly, using this information to advocate for closing data gaps, and ensuring robust feedback.

→ This recommendation is intended for research efforts undertaken by civil society organisations.

a. **Mandatory non-financial disclosure mechanisms:** Mandatory non-financial disclosure mechanisms that provide public information on companies' performance concerning broad sustainability criteria can address some shortcomings of social audits, especially in the garment industry. The social audit industry has faced criticism for corruption, poor auditor ability to assess compliance by factories with global ESG standards, and the reluctance[29] of auditors and companies to share their data publicly. Government-mandated non-financial disclosure mechanisms can address these failures by reviewing a company's compliance with all NGRBC principles (aligned to UNDPs and SDGs), with substantial penalties for false reporting. The BRSR mechanism should be linked to the issues that social audits attempt to solve and approached through a mandatory national framework rather than piecemeal social audits.

→ This recommendation is intended for regulators

4. CONNECTING CONTRACTUAL-IZATION AND ATTRITION:

The contractualisation of the workforce needs to be connected to attrition since both are related to the contract status of workers, whether permanent or contractual. Firms frequently change contract terms to avoid the cost of tenure-dependent social security payouts, such as gratuity payments after five years of continuous service.

Further details need to be provided in the BRSR disclosure on:

- **a.** the types of job roles contractual workers are hired for and whether these are core or peripheral to production,
- **b.** the impact of contractual practices and attrition on the balance sheet,
- **c.** the contractualisation policy, and
- **d.** how many workers are entering the workplace and how workers are entering on redrafted contracts.

→ This recommendation is intended for regulators.

With global developments in responsible business conduct moving towards mandatory due diligence and binding agreements, suppliers in countries with insufficient sustainability norms and legislation will lose out. Recently, there has been a significant increase in human rights-based legislation and regulation in the Global North, including laws mandating disclosures of human rights processes and risks extending through a company's operations and supply chains.[30] These legislative developments mean that countries relying on international trade with these nations must develop human rights-based legislation and regulations to maintain a competitive advantage. Businesses headquartered in some of these countries require their business partners and suppliers elsewhere to show that they mitigate human rights risks and address adverse impacts through robust human rights due diligence processes. Urgent action to upgrade and popularise the BRSR disclosure regime is required to protect the interests of workers and manufacturing firms in India's garment sector.

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