India: Impacts of Poor Health and Safety Conditions on Vulnerable Workers

The Workforce Disclosure Initiative (WDI) aims to improve the quality of jobs in companies’ operations and supply chains. This Oxfam case study highlights the poor health and safety conditions suffered by the very high percentage of informal workers in India’s private sector.
The Workforce Disclosure Initiative (WDI) aims to maximise the role of investors to improve the quality of jobs in multinational companies’ operations and supply chains. Through the WDI, more than 115 investment institutions are requesting comparable workforce data from listed companies on an annual basis. Improved transparency will help investors gain crucial insights into how companies are managing their workforce, and how they compare with peers. The data collected will also inform investor engagement with companies to encourage better employment policies and practices. The aim is to contribute to the delivery of Sustainable Development Goal 8: Decent Work for all.

As part of the WDI, a series of case studies highlights the experience of workers in global supply chains, drawing attention to some of the systemic challenges to achieving decent working conditions, and pointing to examples of good practice. This case study brings to life the issues faced by vulnerable workers employed in multiple sectors and companies across India, including multinational companies registered with the Bombay Stock Exchange (BSE). The WDI survey requests data from companies on these and other issues.

The case study highlights the extremely poor health and safety conditions for informal workers (also known as contract workers), who form a major part of the workforce in India. As a result, these workers receive little training, insufficient safety equipment, few health benefits, and usually no compensation when accidents occur.

Companies do not seem to have filled this gap, so investors cannot be assured that companies have adequate policies and practices in place to reduce the risk of serious accidents happening. This exposes workers to serious harm.

The health and safety challenges in India are indicative of a global problem: 2.78 million workers continue to die each year from work-related injuries and illnesses, according to the ILO. In addition, it is estimated that work-related illnesses and injuries represent 3.94 percent of global GDP per year, or 2.99 trillion US dollars.

This case study was written to contribute to public debate and to invite feedback on how these systemic issues across sectors and geographies can be resolved. It has been produced as part of the Workforce Disclosure Initiative, which is coordinated by ShareAction in partnership with Oxfam, SHARE and the Responsible Investment Association Australasia (RIAA). The WDI is funded by UK aid from the UK government; however, the views expressed do not necessarily reflect the UK government’s official policies.

A key finding of the case study is that investors cannot rely on regulation by government to ensure that companies are managing health and safety risks, as this regulation does not apply to workers in the informal sector, so workers lack the protection of an employment contract.

Cover image credit: Ami Vitale/Oxfam
Introduction

This case study highlights the appalling health and safety conditions for informal workers in India, a high proportion of whom are employed in the agriculture, manufacturing, mining and construction sectors,\(^4\) which have the highest work-related health and safety risks.

48,000 deaths a year in India are due to occupational accidents, with 24 percent of these occurring in the construction sector.\(^5\) The accident rate across India is twenty times higher than in the UK, with only 20 percent of workers being covered by existing health and safety legal frameworks.\(^6\)

Whilst sustainable and responsible investing (SRI) in India is starting to increase,\(^7\) it is important that workers’ rights take precedence, and that informal workers are not left behind.

This case study is based on findings from the India Responsible Business Index (IRBI),\(^8\) which ranks the top 100 companies listed on the Bombay Stock Exchange (BSE). The index assesses companies’ policies and disclosures relating to India’s National Voluntary Guidelines (NVG) on the Environmental, Social and Economic responsibilities of businesses. In addition, Oxfam analysed the health and safety policies and practices of 50 companies\(^9\) in the six sectors with the highest percentage of occupational accidents.

The high toll of workplace health and safety incidents

The most cursory internet search shows the extent of serious accidents that regularly occur in Indian workplaces, resulting in serious injuries or death of workers. One of the worst occurred at an NTPC-run\(^10\) coal power station in Unchahar, Uttar Pradesh in 2017.\(^11\) A boiler exploded covering workers in boiling, high pressure steam and hot coal. Official figures reported 45 people died, but the local community claim the real figure was nearer to 100, with many survivors alleging that the NTPC management removed names from records to lower the company’s liability (a claim the company strongly denies).

According to an engineer working at the site at the time: “The heat is enough to melt a person. Around 40 labourers working very close to the boiler bore the brunt of the blast.”

After the accident, another worker decided it was time to leave the job and return home for good. “It rained fire there. Many of my friends got burnt alive, and I could do nothing. The officers here and the contractors are lying as this unit had at least twice as many people. My life is precious to me. I am going back to my family.”\(^12\)

“Many companies where major accidents have been reported because of lack of safety training, are not disclosing crucial details of the percentage of workers trained or the areas in which training is being imparted to them.

– AMITABH BEHAR, CEO, OXFAM INDIA\(^1\)
A sample of other incidents since 2017 show that poor health and safety standards are far from a rare occurrence:

- 43 people injured after a boiler explosion caused a major fire at a Bharat Petroleum Corporation Ltd plant near Mumbai.\(^{13}\)
- 11 people killed and 14 injured in a gas pipeline explosion at a plant of the state-owned Steel Authority of India limited.\(^{14}\)
- 18 people killed when a mine collapsed at Lalmatia open cast coal mine operated by a Coal India subsidiary.\(^{15}\)

The drive to increase productivity whilst reducing costs is one of the main reasons for workplace accidents.\(^{16}\) Machines are often poorly maintained and operated by workers with little training and/or inadequate experience.

Who are the most vulnerable workers?

A large number of informal workers in India are migrants from rural areas, travelling to find work.\(^{17}\) Women are disproportionately represented in the informal economy, and often at the most marginalised end of the spectrum.\(^{18}\)

A study of the construction industry found that only men were registered as workers, women workers were invisible, so were not included in statistics, policy or social security provisions.\(^{19}\)

Three key causes of poor health and safety standards in Indian workplaces

1. Lack of regulation covering informal sector workers

Workspaces are often congested, hot, dusty, and with poor lighting. Working hours are typically long and activities are physically demanding.\(^{20}\)

But the main issue is the poor employment conditions of so many workers. 61 percent of the world’s employed population, two billion workers, are employed informally, most of them in emerging and developing countries. In India, this figure is much higher, with over 92 percent of the 465 million workforce employed informally.\(^{21}\)

Sourcing companies and investors cannot rely on regulation by government to ensure that companies are managing health and safety risks, as the regulations do not apply to workers in the informal sector.

The definition of an informal worker is one who is not formally employed by a company, so does not have a permanent contract, or access to benefits such as a pension, health insurance, and paid sick leave. Their livelihoods are precarious with little social protection, rights at work, or decent working conditions.\(^{22}\) In India, these workers are often referred to as “contract workers”, because they are often hired for a specific task and a finite period. They are mostly hired by an intermediary, who supplies them to the employer for a fee.

“A study of the construction industry found that only men were registered as workers, women workers were invisible, so were not included in statistics, policy, or social security provisions.”
The lack of regulation covering 92 percent of the workforce means contract workers are at the ‘bottom of the pyramid’ in the Indian economy. As well as poor health and safety standards, they suffer from:

- excessive working hours – working hours are unregulated;
- precarious work;
- wages below the legal minimum – there is a substantial wage gap between regular and contract workers;
- lack of paid leave - there is minimal provision for paid leave for informal workers, only a negligible one percent of informal workers benefit from paid leave; and
- lack of access to healthcare and social benefits.

According to estimates, 98 percent of Indian companies do not provide any healthcare or other social benefits to contract workers. The IRBI found only 7 companies out of the 100 top BSE-listed companies give health benefits to informal workers, mostly in the form of free health check-ups and health insurance. Examples that stand out include Bajaj Auto which has a Charter of Fair & Responsible Workplace Guidelines for contract labour, and HDFC which ensures its policies are applicable to contract workers as well as to more formally employed staff.

### 2. Dearth of Safety Training and Poor Company Disclosures

In the rapidly growing National Capital Region of Delhi (locally known as the Gurgaon-Manesar belt) more than a thousand workers a year are hurt in serious accidents. Many of them suffer permanent disabilities meaning they can no longer work. Most of these accidents are preventable, as they are due to a lack of safety training. According to the IRBI, only half of the top 100 BSE listed companies provide safety training for informal workers:

<table>
<thead>
<tr>
<th>Safety training</th>
<th>IRBI 2016*</th>
<th>IRBI 2017**</th>
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</thead>
<tbody>
<tr>
<td>No. of companies providing safety training to permanent employees</td>
<td>69</td>
<td>71</td>
</tr>
<tr>
<td>No. of companies providing safety training to contract (informal) employees</td>
<td>52</td>
<td>51</td>
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*99 companies researched; ** 97 companies researched
The Making Growth Inclusive report highlights that a principal reason for workplace accidents is the lack of safety training given to the workers.28

Another report,29 focussed on the automobile industry, highlights a lack of emphasis on safety training and quality safety equipment as the reason for most occupational injuries. Of 20 workers interviewed during the study, 16 had not received any safety training. Not one company disclosed information on machine maintenance, safety inspections, or effective grievance mechanisms.

Often companies do not even disclose whether they employ informal workers, let alone how many. For example, in the energy sector, companies such as Hindalco, Neyveli Lignite, NTPC, NHPC, Tata Steel, and Vedanta do not report the number of contract employees hired on their behalf. They either deny employing contract employees (NHPC) or write Not Applicable (Vedanta).30

3. No access to remedy so problems are not reported

The third pillar of the United Nation’s Guiding Principles31 is ‘Access to Remedy’, which emphasises the need for access to redress through effective judicial and non-judicial grievance mechanisms. However, informal workers tend not to report incidences of abuse and exploitation.

“I came to Manesar in Delhi in search of work. Within four months of working in an automobile factory, I had an accident and the thumb on my right hand got cut. The company fired me within a week of the accident. It has been more than four months since then, and the company has not reached out to me, and in fact, have kept my one month’s salary with them,” said a 25-year-old worker from Bihar, India.

Most informal workers, especially women, have negligible legal protection, and face an unfavourable – if not hostile and punitive – policy and regulatory environment.32 Workers are often bounced between employers and contractors when seeking remedy and financial support. Trade unions wanting to organise workers have difficulty knowing whether to approach the contractor or the employer. Lack of reporting of grievances is exacerbated by low literacy, combined with a lack of awareness of rights, and lack of formal and informal communication channels between workers and managers.

“The entire labour governance system has been designed to support organised workers. Actually, all relevant policy makers and decision makers, over the last 40-50 years, have failed to create a model or a mechanism which can address various concerns related to informal employment. Therefore, there is a lack of a legal support system for contract workers,” said a Trade Union representative.

“Within four months of working in an automobile factory, I had an accident and the thumb on my right hand got cut. The company fired me within a week of the accident.”

- 25-YEAR-OLD WORKER FROM BIHAR, INDIA
The lack of state protection for informal workers is accompanied by a lack of company policies geared to their needs. For instance, no company among the top 100 BSE-listed companies extends the right to freedom of association explicitly to their contract or temporary employees.33

Further down supply chains, it can be difficult to know who the employer is, leading to an added challenge for trade unions in knowing who to engage with.34

How can this be turned around?

The first step towards ensuring dignity and human rights to all employees starts with a recognition that policies and benefits should extend to all employees, both formal and informal. Companies need a proactive human rights approach as outlined in the UN Guiding principles on Business and Human rights.35

“We believe that the only people who can initiate real change are the brand owners and managers themselves. They are the ones who understand the business and technical drivers that can bring sustainable change,” said the co-founder of a labour rights organisation in India.

But, without strong and effective institutional mechanisms to give legal protection to contract workers, hazardous working conditions will remain.

“We believe that the only people who can initiate real change are the brand owners and managers themselves. They are the ones who understand the business and technical drivers that can bring sustainable change.”

- CO-FOUNDER, LABOUR RIGHTS ORGANISATION IN INDIA

“Exploitation of informal workers is not just a market failure but also a failure of the state,” said a professor at a business management school in India.

There are some positive signs of change. The Indian government launched the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG) in 2011.36 This encourages companies to adopt sustainability reporting and disclose data on their ESG metrics. The Securities and Exchange Board of India (SEBI) has adopted the NVG framework, making it mandatory for the top 500 BSE listed and National Stock Exchange (NSE) companies to report on these.

Executive Director, labour rights organisation in India

“Awareness alone cannot provide an enabling environment for such workers... Support groups, legal help, redressal, and police action are some of the things which are of crucial importance... I think it is important for trade unions, activists, and other organizations to be active in the space, in order to encourage workers to act on all of the available information.”
Reasons for SRI investors to be hopeful

There is an increasing interest among investors in exploring sustainable and responsible investing (SRI) strategies in India. An Oxfam report entitled The Drops before the Rain? interviewed over 35 stakeholders on this issue and found that assets under management (AUM) with SRI strategies now stand at $31 billion (₹1,994 Billion). With global asset managers looking for opportunities in India as a growing economy, Indian asset managers are creating funds to attract these investors.

Indian companies are starting to disclose more ESG data. 8 out of 10 international investors are aware of the reporting format required by the SEBI (the Business Responsibility Report). Three quarters of those surveyed questioned its credibility as it could be seen as a box ticking exercise, however this is a good starting point for businesses who are only beginning to understand the importance of disclosure.

The SEBI has recommended more discussion on these issues by company boards. Both the national stock exchanges have launched dedicated indices based on ESG factors - the BSE launched the S&P BSE 100 ESG Index while the NSE launched two ESG based indices: the NIFTY100 ESG Index and the NIFTY100 Enhanced ESG Index.

Meanwhile, one of India’s largest mutual fund houses, SBI Mutual Fund, changed an existing mutual fund schemes to an ESG-based scheme and Kotak Mutual Fund, another major mutual fund company, became the first Indian asset management company to become a signatory to the UN Principles for Responsible Investment.

“With global asset managers looking for opportunities in India as a growing economy, Indian asset managers are creating funds to attract these investors.”

Image credit: Tom Pietrasik/Oxfam
Actions investors should take to help improve working conditions:

1. Strengthen the sustainable and responsible investing dialogue in India

2. Engage with government, regulatory agencies, and stock exchanges to ensure disclosure mechanisms that help provide data on informal workers

3. Engage with companies to promote quality ESG disclosures – including on workforce policies and practices

4. Ask companies in their portfolio to demonstrate that they have identified the greatest risks to their workforce, as well as to the business, and how these are incorporated into strategy

5. Encourage companies to carry out robust due diligence on issues including health and safety for informal workers

6. Encourage companies to establish access to remedy for informal workers

Suggested questions investors could ask companies on these issues:

- “Are informal workers included in company policies such as health and safety, insurance, and benefits?”

- “Do informal workers receive health and safety training?”

- “What is the trend in company accident rates over time? What is the company doing to reduce these figures?”

- “What is the company doing to give informal workers more protection in the workplace?”
References


2. Ibid.


8. Oxfam India, in collaboration with Praxis, Corporate Responsibility Watch and Partners in Change, develops an annual index, India Responsible Business Index, to analyse public disclosures and policies of the top 100 companies listed on BSE on social inclusion, based on the NVGs.

9. Analysis carried out by Oxfam India and SG Analytics.

10. NTPC Limited is India’s largest energy conglomerate.


16. Finding from interviews conducted by Oxfam India for this study.


28. Ibid.

29. SafelInIndia and Agrasar (no date). What Can Safeguard Workers? Accidents in the Automobile Industry in Gurgaon: Case Studies and Stakeholder Response. Available online at: https://docs.wixstatic.com/ugd/06047e_313fc232e17641ae8268ad107c36a1d.pdf [Accessed 06 January 2019].


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ShareAction promotes responsible investment practices by pension providers and fund managers. ShareAction believes that responsible investment helps to safeguard investments as well as securing environmental and social benefits. ShareAction is coordinating the Workforce Disclosure Initiative (WDI) in partnership with Oxfam and other aligned organisations, including SHARE and the Responsible Investment Association Australasia (RIAA).
https://shareaction.org/wdi

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