

Working conditions in the making of Balmuir and Vallila products in India



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The making of this report has been supported also by Palkansaajasäätiö.

Finnwatch is a non-profit organisation that investigates global impacts of Finnish business enterprises. Finnwatch is supported by 11 development, environmental and consumer organisations and trade unions: The International Solidarity Foundation (ISF), Finnish Development NGOs – Fingo, Felm, Pro Ethical Trade Finland, The Trade Union Solidarity Centre of Finland SASK, Attac, Finn Church Aid, The Dalit Solidarity Network in Finland, Friends of the Earth Finland, KIOS Foundation and The Consumers' Union of Finland.

Cividep India is a Bangalore-based organisation working on labour rights and corporate accountability. Cividep carries out research on working and living conditions of workers employed in lower rungs of global supply chains. Cividep supports worker-led organising and advocates for labour rights at various national and international multi-stakeholder platforms.

Cividep India
Workers' Rights &
Corporate Accountability

2nd edition (updated information added to pages 31–34)

Layout: Petri Clusius/Amfibi ky

Publication date: April 2019

Cover photo: A worker in a small work unit making home textiles for exports. Karur, Tamil Nadu.

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1. Introduction

Trade between Finland and India has grown rapidly in the 2000s. In 2017, the value of trade between the two countries was 872 million euros¹. Currently, there are approximately 100 Finnish companies operating in India and another 100 Finnish companies trade with India. In India, Finnish companies are concentrated around Mumbai, Chennai, Bangalore and Delhi.²

This report is focussed on labour rights in the supply chains in India of two Finnish companies, Wheslyn Group and Vallila Interior. Wheslyn Group, which is best known for its luxury-lifestyle Balmuir brand, sources interior decoration leather items from India and Vallila Interior's subsidiary, Vallila Collection, home textiles.

The first part of this report gives an overview of labour rights problems pertaining to leather and textile manufacturing industries in India. This part of the report is mostly based on secondary sources. The case studies on Wheslyn Group and Vallila Interior are presented in the second part. Both case studies are based on field research, including worker interviews, conducted in 2018. The final chapter offers a conclusion and makes recommendations to Finnish lead companies, Indian supplier companies, social responsibility monitoring schemes and to the governments of both India and Finland.

This report is produced as part of Finnwatch and Cividep India's joint project which is aimed at providing increased opportunities for workers in India's export-oriented manufacturing sector to negotiate better terms of employment. The joint project between the two organisations is funded by Finland's Ministry for Foreign Affairs. The making of this report has been supported also by Palkansaajasäätiö³.



Wheslyn Group/Balmuir's supplier HS Exports is located in Faridabad, Haryana. The company supplies interior decoration leather items to Wheslyn Group/Balmuir.

Vallila Collection's supplier R.K. Exports is located in Karur, Tamil Nadu. The company supplies home textiles to Vallila Collection.

¹ Of this, the value of exports was 532 million euros and of imports, 340 million euros.

² Embassy of Finland, New Delhi, Kauppa ja talous, <http://www.finland.org.in/public/default.aspx?contentid=186058&nodeid=34795&contentlan=1&culture=fi-FI> (in Finnish)

³ For more information see <https://palkansaajasaatio.fi/> (in Finnish)

PART 1 Background

2. Labour force in India – an overview

The labour market in India is complex. Of the total number of employed people in India in 2011–12⁴, more than half (or 206 million people) were classified as self-employed⁵ and 195 million people were classified as wage earners (both white and blue collar).⁶

Workers employed in India's manufacturing sector can be classified to:

- permanent workers⁷ (or 'regular workers'),
- probationers (those subject to confirmation),
- *badlis* (substitute workers for absenting permanent workers),
- trainees,
- apprentices,
- workers on fixed-term contract,
- casual workers and
- contract workers.

Of these, all but contract workers are directly employed by a manufacturing establishment and all but permanent workers constitute non-regular category of workers.⁸

Fixed-term employment was allowed in India in the garment manufacturing sector in October 2016, and across all other industrial manufacturing sectors in March 2018⁹. The Ministry of Labour and Employment has defined fixed-term worker as a worker "*who has been engaged on the basis of a written contract of employment for a fixed period*". Fixed-term workers can be engaged on the basis of both time-rate and piece-rate. Applicable rules assure pay parity and statutory benefits.

Since economic reforms in 1991, two trends have become apparent in India's labour market: casualisation and contractualisation. For example, in the organised¹⁰ manufacturing sector, the share of contract workers has increased from 14% in 1990–91 to 35% in 2011–12¹¹. Some sectors or establishment rely heavily on contract labour with more than two-thirds of the total workforce being contractual¹².

Simultaneously with increasing casualisation, contractualisation and overall informalisation of employment relationships, outsourcing and subcontracting have also increased. These employment and production strategies have also been interpreted to have been used on

4 The National Sample Survey Office (NSSO) data of the Employment and Unemployment Survey (EUS) is the most comprehensive source for employment, unemployment and wage information in India. The last available NSSO dataset is from the 2011-12 EUS survey.

5 Self-employed are employers, unpaid family workers, and so-called "own account workers" – i.e. jobs where the remuneration is directly dependent upon the profits (or the potential for profits) derived from the goods or services produced (where own consumption is considered to be part of the profits). ILO, Resolution concerning the International Classification of Status in Employment (ICSE), adopted by the Fifteenth International Conference of Labour Statisticians (January 1993), available at https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087562.pdf

6 ILO, India Wage Report: Wage policies for decent work and inclusive growth (2018), available at https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_638305.pdf

7 Permanent workers are "engaged on a permanent basis". The category includes "any person who has satisfactorily completed a probationary period of three months in the same or another occupation in the industrial establishment." Industrial Employment Central Rules, 1946, Model Standing Orders

8 ILO, Non-regular workers in India: Social dialogue and organisational and bargaining strategies and practi-

ces (2011), available at https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---dialogue/documents/publication/wcms_172640.pdf

9 Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018, <http://egazette.nic.in/WriteReadData/2018/183810.pdf>

10 In the Indian context, formal or organised sector refers to all public establishments and non-agricultural establishments in the private sector that employ ten or more workers.

11 The increase in contractual work has been due to a number of states amending the Contract Labour (Regulation and Abolition) Act, 1970 to facilitate the interests of the market-friendly business economy. ILO, India Wage Report: Wage policies for decent work and inclusive growth (2018), available at https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_638305.pdf

12 See, for example, Livemint, 22.3.2018, The growth rate of contract workers has been far higher than that of directly employed workers, <https://www.livemint.com/Money/in820rBaf1qhkbEsEyBJoI/The-growth-rate-of-contract-workers-has-been-far-higher-than.html>

purpose to restrict collective bargaining and to reduce trade unions' bargaining power¹³.

Casual, contractual and informal work¹⁴ (or precarious work) is unpredictable and risky from the perspective of workers. It leads to issues such as greater economic inequality, insecurity and instability among workers and, as noted by ActionAid¹⁵, is often not enough to transcend the status of India's working poor. Further, it creates non-traditional employment structures, and as such, blurs the responsibilities of the employer.

CONTRACT LABOUR

India's contract workers are engaged through an intermediary, a contractor. The Contract Labour (Regulation and Abolition) Act, 1970, specifies the conditions under which the services of contract workers can be engaged. In principle, contract labour should not be engaged for work that is considered perennial in nature and necessary (or "not incidental") for the establishment, sufficient to employ a considerable number of full-time employees, or ordinarily done by regular workers in the same or comparable establishment. The Act also includes provisions for the welfare of the contract workers, including payment of minimum wages, social security and other benefits.

Although contract workers remain employed by their contractor, the establishment that utilises their services is considered their principal employer by law. The principal employer is responsible for compensating the contract worker in case of non-payment of wages or benefits by their contractor.

In practice, Contract Labour Act is not strictly enforced, and contract workers are often

13 Action Aid, *India's Labour Law Changes: Toward advancing principles of rights, inclusion and employment security* (2016), available at http://actionaid.org/sites/files/actionaid/e_book_indias_labour_law_final_1.pdf

14 The National Commission for Enterprises in the Unorganized Sector defines informal workers as follows: "Informal workers consist of those working in the informal sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and Social Security benefits provided by the employers."

15 Action Aid, *India's Labour Law Changes*

Precarious work is the opposite of decent work

According to ILO¹⁶, "*in the most general sense, precarious work is a means for employers to shift risks and responsibilities onto workers.*" Its impacts include:

- uncertainty as to the duration of employment
- a lack of access to social protection and benefits usually associated with employment
- low pay
- substantial legal and practical obstacles to joining a trade union and bargaining collectively.

Multiple possible employers or a disguised or ambiguous employment relationship are typical for precarious employment arrangements which can take many forms, including:

- outsourcing, contracting-out or subcontracting
- casualisation, contractualisation, contingent or fixed-term contracts, leading to the creation of a large pool of permanently 'temporary' employees
- use of labour agencies
- bogus "self-employment" and independent contractors
- abusive use of seasonal and probationary employment and traineeships.

16 ILO, *From Precarious Work to Decent Employment: Outcome Document to the Workers' Symposium on Policies and Regulations to Combat Precarious Employment* (2012), available at https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---actrav/documents/meetingdocument/wcms_179787.pdf

Rising thresholds, falling standards

Several of India's existing labour laws only apply to establishments that meet thresholds based on the number of workers they employ:

- Factories Act, 1948, only applies to establishments that employ 10 or more people (or 20 or more if the establishments uses no electricity);
- Contract Labour (Regulation and Abolition) Act, 1970, only to establishments that employ 20 or more permanent workers (or contractors that employ more than 20 contract workers);
- Employees State Insurance Act, 1948, only to establishments that employ 10 or more people, and;
- Employees Provident Funds and Miscellaneous Provisions Act, 1952, only to establishments that employ 20 or more people;
- Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Amendment Act, 2014, has increased coverage to exempt factories employing up to 40 workers;
- Industrial Employment (Standing Orders) Act, 1946, only applies to factories with 100 or more workmen;
- Industrial Disputes Act, 1947, only applies to factories with more than 100 workers.

This means that workers who work for smaller businesses are not protected by any of these

basic labour laws. This is particularly significant considering that many of the establishments in India's industrial manufacturing sector are small: the average number of workers per factory in India was 45 in 2012–13¹⁷. The decline in factory size has been interpreted to reflect an increase in outsourcing, contracting-out and subcontracting. Whereas factories in the textile sector have seen the biggest decline in the average number of workers of all manufacturing sectors in India, garment manufacturers have seen the biggest increase.

As part of labour reforms (see page 10), proposals to raise the thresholds in various labour laws – either at state or national level – have been made. This would mean that even more establishment and workers would not be covered by the laws. Of particular concern to labour groups and trade unions has been the proposal to lift the threshold for the number of workers who can be laid off without government permission and retrenchment benefits from 100 in the Industrial Disputes Act to 300 in the new Labour Code in Industrial Relations Bill as only the workers who are within the ambit of rule are considered to have job security in India.

17 LiveMint, 27.8.2015, Why does India have few large factories, <https://www.livemint.com/Opinion/NJycRLdy88h5q1w18KAENM/Why-does-India-have-few-large-factories.html>

engaged in core work and found to be working for the same principal employer for a number of years. Although contract labourers are in some cases paid the minimum wage, often they are not, and it is quite common that they are not compensated adequately for overtime. Contract workers are also regularly paid less than permanent workers¹⁸.

18 According to a Central Statistics Office representative, "it is clearly observed that contract workers are getting 60% less wage than that of the direct workers." Livemint, 22.3.2018, The growth rate of contract workers has been far higher than that of directly employed workers

Often they are also not covered by collective agreements or represented by trade unions.¹⁹

Contract Labour Act requires companies to maintain a list of contractors, their nature of job, period of contract and number of workers. It also requires contractors to maintain a register with names, wages, deductions, overtime, etc. Under the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain

19 See for example Rajeev Meenakshi, Contract labour act in India: a pragmatic view (2010), International Journal of Economic Policy in Emerging Economies 3(3):237-252

Establishments) Amendment Act, 2014, factories employing less than 40 workers are not required to maintain registers as stipulated under the Contract Labour Act. A large number of factories fall within the ambit of this amendment which makes it easier to hire contract workers, and hide their poor working conditions. These factories are also exempt from filing returns giving information such as contractors employed annually, number of man-days worked by contract workers, number of man-days worked by permanent workers, etc. This considerably reduces information available to public scrutiny.

CASUAL LABOUR

Casual workers are typically engaged without an appointment letter (i.e. without a written employment contract), and compensated on a daily basis, or periodic basis at either time-rate or piece-rate. Typically, they belong to economically poor and socially disadvantaged groups and have low levels of education and skills. Casual work is common in India's manufacturing sector. Casual workers are mostly (but not always) employed in the informal sector²⁰. They are not covered by India's social security system and they also do not receive pensions or paid leave.²¹

20 In the Indian context, informal or unorganised sector mainly refers to agricultural sector and unincorporated enterprises with less than ten workers. They are informal in the sense they are not regulated by government under any statute.

21 ILO, India Wage Report

3. An overview of labour rights risks

Several NGO reports have drawn attention to various human rights risks related to the textile and garment sector and to leather sector in India. These include but are not limited to bonded labour (a form of forced labour), child labour, excessive working hours, wages much below living wages, health and safety issues, widespread harassment and lack of trade unions and effective grievance mechanisms.

Particularly vulnerable to labour rights abuse are workers who belong to the intersecting categories of women, migrant, Scheduled Tribe (Adivasi), Scheduled Caste (Dalit) and Other Backward Castes and Muslims.

WAGES

Although real wages in India have grown strongly since early 2000s, overall low wage levels and high wage inequality remain serious challenges for India to achieve decent working conditions and inclusive growth²². According to the latest available World Bank statistics, 21% of Indians live below the poverty line²³. Poverty is highest among Scheduled Tribes (43%), Scheduled Castes (29%), and Other Backward Castes (21%), for whom casual labour is the main source of income²⁴. In 2011–12, the average wage in India was about 247 Rs per day (3,2 euros²⁵) and the estimated average earnings of a casual worker were 143 Rs per day (1,8 euros)²⁶.

India was one of the first developing countries to adopt a minimum wage policy²⁷ but the country's minimum wage system is complex and applies only to the selected occupations (so-called scheduled employments). As a result, there are more than 1,700 minimum wage rates across the

country. Minimum wages are revised every five years but the wage setting process is at times somewhat arbitrary and does not necessarily involve all social partners. In addition to a minimum wage, a national minimum wage floor was set in 1991 but it is not legally binding. In 2017, the indicative national minimum wage floor in India was 176 Rs per day (2,3 euros). India's trade unions are demanding 18 000 Rs monthly minimum wage to all workers (231,5 euros)²⁸.

The new Labour Code on Wages Act, 2017 (see page 10), consolidates a number of labour laws, including the Minimum Wages Act, 1948. It replaces occupational minimum wages with sectoral minimum wages, covers both time-rate and piece-rate work, and extends also to the informal sector. When implemented, this may benefit workers who have not previously been covered by minimum wages. However, critics fear that the more universal coverage may also lower the existing minimum wages for the higher paying occupations.

The Indian Constitution recognises a living wage as one of the rights of all people²⁹. This Constitutional provision is in practice implemented through minimum wage regulations. The Supreme Court of India has defined the needs-based living wage/minimum wage criteria to include specific nutrition requirements, clothing, housing, medical expenses, family expenses, education, fuel, lighting, festival expenses, provisions for old age, and miscellaneous. However, neither the

22 ILO, India Wage Report

23 World Bank, Poverty & Equity Data Portal: India, <http://povertydata.worldbank.org/poverty/country/IND>

24 World Bank, India's Poverty Profile, <http://www.worldbank.org/en/news/infographic/2016/05/27/india-s-poverty-profile>

25 1 Rs = 0,0129 euros

26 ILO, India Wage Report

27 Minimum Wages Act, 1948

28 See for example Business India, 1.1.2019, Trade unions finalise 20-points charter, demand Rs 18,000 minimum wage, <https://www.businesstoday.in/top-story/trade-unions-finalise-20-points-charter-demand-rs-18000-minimum-wage/story/305741.html>

29 "The State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and, in particular, the State shall endeavour to promote cottage industries on an individual or co-operative basis in rural areas." Constitution of India, Article 43, https://www.india.gov.in/sites/upload_files/mpi/files/coi_part_full.pdf

Labour reforms – a step backwards?

Despite economic reforms since 1991, the structural transformation of Indian economy from agriculture has been slow. Growth is led by the service sector whereas growth in manufacturing in particular has been sluggish³⁰. To boost growth in the manufacturing sector and to attract both national and international investments, India's government initiated the Make in India programme in 2014³¹.

At the same time, the government also began the project of revising India's labour laws. This project is still ongoing. India's labour laws in their pre-revision form, are seen by some to have stood on the way of the country's economic growth. For example, according to the National Skill Development Corporation³², various labour laws that do apply to bigger units discriminate against larger companies and are "partly responsible for lack of economies of scale and poor competitiveness" of Indian textile and garment industry³³. A textile ministry strategy paper³⁴ calls for restrictions on women working night shifts to be lifted, introduction of fixed-term employment, cap on quarterly overtime to be increased, increase to thresholds on mass layoffs without government permission, and permission to engage contract labour without restrictions.

The revision of India's labour laws is happening on three levels. First, 44 of India's national labour laws are being consolidated into four labour codes on wages, industrial relations, social security and occupational health and safety. The Labour Code on Wages has been introduced in the parliament for debate. The Labour Code on Industrial Relations was released for public

consultation in 2015 but has since then been withdrawn and is currently being reviewed by the government. The other two codes are at an earlier stage of public consultation.

In addition to the consolidation of labour laws to labour codes, other national laws, such as Labour Laws Amendment Act (see page 7) and Apprentices Act, have also been amended and expanded to cover non-engineering trades. Companies can now bring in apprentices from other states and have the freedom to decide number of apprentices and their hours of work. There are concerns that greater freedoms to use apprentices will lead to permanent jobs being replaced with apprenticeships.

Various state-level laws and regulations are also being amended. Labour law falls under the concurrent list in India and hence various states can undertake certain changes themselves. Amendments have been made by Rajasthan, Madhya Pradesh, Uttar Pradesh and Andhra Pradesh to the Industrial Disputes Act, Factories Act, Contract Labour Act and others to allow greater flexibility in factory closures, hiring and firing, inspection, online registration, union recognition, and wage compensation among others³⁵.

Several of the labour reforms have been widely opposed and the issuing of the draft Labour Code on Industrial Relations Bill for consultation in 2015 led to nationwide strikes. Trade unions, civil society groups and academics are critical both about the way the reforms are being pushed forward without genuine consultation as well as their contents which are seen as a step back, not forward, in terms of labour rights. Further, the labour codes are considered to significantly weaken or even dismantle the labour inspection system, a major function in labour law enforcement and effective compliance. As such, the labour reforms are also a cause of concern for foreign companies that have operations or supply chains in India as in the worst case scenario, the reforms may increase, not reduce, the gap between rights protections in India and in international standards.

30 ILO, India Wage Report

31 Make in India, <http://www.makeinindia.com/home>

32 National Skill Development Corporation (NSDC) is a not-for-profit public limited company set up by Ministry of Finance. The Government of India through Ministry of Skill Development & Entrepreneurship (MSDE) holds 49% of the share capital of NSDC, while the private sector has the balance 51% of the share capital. For more information see <https://www.nsdcindia.org/about-us>

33 National Skill Development Corporation, Human Resource and Skill Requirements in the Textile Sector (2022) – A Report

34 Government of India, Ministry of Textiles, Vision, Strategy and Action Plan for Indian Textile and Apparel Sector, <http://texmin.nic.in/sites/default/files/Vision%20Strategy%20Action%20Plan%20for%20Indian%20Textile%20Sector-July15.pdf>

35 The Hindu, 27.1.2018, No significant outcome of labour law changes in four States: Study, <https://www.thehindubusinessline.com/economy/policy/no-significant-outcome-of-labour-law-changes-in-four-states-study/article9731499.ece>

Minimum Wages Act nor the new Labour Code on Wages Act take these into account. The Labour Code on Wages Act, for example, stipulates that wages are to be set on the basis of skill required, arduousness of work and geographical location.

A living wage

A living wage is an internationally recognised human right³⁶. It can be defined as *"Remuneration received for a standard workweek by a worker in a particular [time and] place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events."*³⁷

Both the legal minimum wages and the prevailing wages in India's leather sector and in the textile and garment sector are well below of what might be considered a living wage benchmark. For example, the Global Living Wage Coalition³⁸ has calculated a living wage benchmark for urban Tiruppur, Tamil Nadu. In April 2018, the benchmark was Rs 14 670 per month (188,6 euros). The study found the living wage benchmark to be 45% more than what Tiruppur's textile workers were receiving at the time.³⁹

Overtime compensation

Overtime should by law be compensated at twice the normal salary rate. Sunday work

should also be compensated at twice the normal salary rate. In addition, for Sunday work workers should be given a compensatory day off in the following three days (i.e. a day off per every 10 days of working).

The Factories Act stipulates a maximum of 2 hours of overtime per day, following an eight-hour work day. The working week in India's manufacturing sector comprises six days so the maximum permissible working week in India is 48 + 12 hours, or 60 hours including overtime. Although this is in line with international standards, it should be noted that ILO has recommended working hours to be gradually reduced to 40 per week⁴⁰. An ILO study indicates that regular 60-hour working weeks have a negative impact on workers' health⁴¹.

In India, the Lower House of the parliament has approved raising the cap on overtime to 100 hours from 50 per a three-month period.⁴² Relevant ministries were strongly lobbying for the overtime cap to be raised, both in order to increase workers' earnings⁴³ and because stricter caps were thought to cause problems to manufacturers during production peaks⁴⁴.

In practice, overtime regulations are often ignored in India, and in garment factories, workers work much longer hours than permitted by law, especially during production peaks. Casual workers who are hired on piece-rate basis work particularly long hours.

In the spinning mill segment, there are no production peaks; spinning mills are in operation 24 hours per day, seven days a week. A report by NGOs SOMO and the India Committee of the Netherlands ICN found that spinning mill workers find it difficult to refuse overtime which in some cases also is not

36 For more information, see for example Finnwatch, *Elämiseen riittävä palkka ihmisoikeutena* (2015), <https://www.finnwatch.org/images/pdf/RaporttiERP.pdf> (in Finnish)

37 This definition, by the Global Living Wage Coalition, incorporates the main ideas found in over 60 living wage descriptions and definitions from human rights declarations; national constitutions; NGO, multinational, and corporate codes of conduct; International Labour Organization (ILO) documents; and statements of major historical figures. For more information see <https://www.globallivingwage.org/about/what-is-a-living-wage/>

38 Global Living Wage Coalition, <https://www.globallivingwage.org/about/>

39 Global Living Wage Coalition, *Living Wage for Tiruppur, Tamil Nadu, India, Urban India*, <https://www.globallivingwage.org/living-wage-benchmarks/urban-india/>

40 ILO, *Reduction of Hours of Work Recommendation*, 1962 (No. 116)

41 ILO, *Working time: Its impact on safety and health* (2003), https://www.ilo.org/travail/whatwedo/publications/WCMS_TRAVAIL_PUB_25/lang--en/index.htm

42 Factories (Amendment) Bill, 2016

43 Government of India, Ministry of Textiles, *Annual Report 2017-18*

44 Government of India, Ministry of Textiles, *Vision, Strategy and Action Plan for Indian Textile and Apparel Sector*

CASE: Paying workers a living wage⁴⁵ – “Fair Share” by Continental Clothing

Continental Clothing is a UK-based wholesale company and “made to order” custom garment manufacturing service provider. It owns four brands, one of which is Fair Share. Products in the Fair Share range carry a price premium that is passed directly on to garment workers in India towards their living wage. According to the company, adding just 10p (0,11 euros) to the price of a T-shirt, or 54p (0,63 euros) to the price of a hoodie, results in 50% increase in the lowest wages in its supplier factory in India. The price premium that the consumer pays is passed through the supply chain without markup, and it is also clearly visible in the workers’ payslips.⁴⁶

To calculate the price premium, Continental Clothing first calculated a living wage estimate for Tiruppur, Tamil Nadu, where its supplier factory is based⁴⁷. They then calculated the difference between the wages that the factory was paying to various categories of workers and the living wage estimate. Although Continental Clothing at the time bought only

5–10% of its supplier factory’s output, it was decided that all workers should benefit from the scheme. It was also decided that the living wage premium should be paid to the workers monthly, on a permanent basis.

Continental Clothing has also guaranteed that they will not stop paying the living wage premium as long as the company has a trading relationship with its supplier, irrespective of the volume of orders. Continental Clothing absorbed the costs of initiating, implementing and auditing the project as well as the additional statutory employer’s contribution to the Employee Provident Fund (statutory workers’ pension scheme).

In the first year of implementation, the Fair Share -product range did not provide sufficient funds to pay all workers a living wage. According to Continental Clothing’s calculation, the lowest grade daily wages would have had to be increased by 159 Rs (2 euros) in net terms, to close the gap. In the first year, they managed to pay all workers⁴⁸ 25 Rs (0,3 euros) extra per shift, or 650 Rs per month (8,4 euros). At the supplier factory, absenteeism has plummeted and “people [are] on a waiting list waiting for vacancies”⁴⁹.

45 For more information see Fair Wear Foundation, Labour Minute Costing: A tool for establishing living wage floors in garment factories, <https://www.fair-wear.org/wp-content/uploads/2017/01/FWF-Labour-MinuteCosting.pdf>

46 For more information see <https://www.continentalclothing.com/about/fairshare>

47 At the time, there was no existing calculation for a living wage estimate for Tiruppur. Since then, Global Living Wage Coalition has published a living wage estimate for Tiruppur (see page 11). The Continental Clothing estimate for a living wage in December 2015 was Rs 12 116 per month (156,1 euros).

48 It was agreed that at early stages of implementation, all workers would receive the same premium irrespective of their existing salary.

49 Vox Media, 27.2.2018, Chua, Jasmin Malik, Why Is It So Hard for Clothing Manufacturers to Pay a Living Wage? (2018), <https://www.vox.com/2018/2/27/17016704/living-wage-clothing-factories>

paid⁵⁰. The scenario is not very different in leather manufacturing. Tanneries⁵¹ as well as factories⁵² routinely compel workers to work

more than 8 hours a day with no double payments for overtime.

TRADE UNION RIGHTS

India scores 5 on the ITUC Global Rights Index (scale 1–5) for freedom of association and workers’ rights, which stands for no guarantee of rights⁵³. Although freedom of association is guaranteed in India by Constitution,

50 SOMO and India Committee of the Netherlands, Flawed Fabrics: The abuse of girls and women workers in the South Indian textile Industry (2014), <https://www.somo.nl/flawed-fabrics/>

51 Change Your Shoes, Watch Your Step! – A Study on the Social and Environmental Impacts of Tanneries in Uttar Pradesh and Tamil Nadu, India (2017), available at http://labourbehindthelabel.net/wp-content/uploads/2017/12/CYS_report_Watch-Your-Step_India-ENG-1.pdf

52 India Committee of the Netherlands, Do Leather Workers Matter: Violating Labour Rights and Environmental Norms in India’s Leather Production (2017), available at [http://www.indianet.nl/pdf/DoLeather-](http://www.indianet.nl/pdf/DoLeather-WorkersMatter.pdf)

[WorkersMatter.pdf](http://www.indianet.nl/pdf/DoLeather-WorkersMatter.pdf)

53 ITUC Global Rights Index 2018: The World’s Worst Countries for Workers, <https://www.ituc-csi.org/ituc-global-rights-index-2018>

India has not ratified ILO Core Conventions on Freedom of Association (No. 87) and on Collective Bargaining (No. 98).

The overall union density in India was low at around 11% in 2011–12, or at 18% among non-agricultural workforce. Whereas the union density for casual workers and self-employed has increased, it has at the same time decreased for regular workers. In the organised sector, many employers discourage workers from forming or joining a union.⁵⁴

Most unions in India are male-dominated, and among female workers, the unions density is half of that of male workers⁵⁵. Labour groups assume that one of the reasons why employers in the textile and garment sector are particularly keen to employ women is that women are less likely to unionise and demand their rights⁵⁶. This to a great extent can be attributed to women in India being expected to bear the dual burden of carrying out productive as well as reproductive work. Social conditioning prevents a large number of them from speaking out and demanding rights. A woman's income is looked at as a secondary or a supplementary income to a household and hence not worth the fight.

Collective bargaining

There is no reliable information available on collective bargaining coverage in India but according to ILO, it is fair to assume the coverage to be less than the union density rate and concentrated in large enterprises⁵⁷. Collective bargaining is a key means through which employers and their organisations and trade unions can establish higher wages and better working conditions.

In India, enterprise or plant-level collective bargaining is the dominant level of bargaining in the private sector. However, the employer side is not required by law to recognise trade unions as representatives of the labour side or as agents for collective bargaining⁵⁸.

54 ILO, India Wage Report

55 ILO, India Wage Report

56 SOMO and India Committee of the Netherlands, Flawed Fabrics

57 ILO, India Wage Report

58 The Trade Unions Act, 1926, mainly deals with the registration of unions, and their rights and responsibilities.

The draft Labour Code on Industrial Relations Bill, 2015

The draft Labour Code on Industrial Relations Bill, 2015, included several provisions that would, if passed unchanged, have the effect of undermining freedom of association and collective bargaining. The draft Labour Code would, for example, introduce barriers to union registration and restrictions on union governance, thereby undermining union autonomy.

Furthermore, the draft Labour Code would also restrict strikes and introduce disproportionate penalties on the labour side for unfair labour practices. It would also make it easier to lay off up to 300 people at a time. The draft is currently not in the public domain on the government website. It is under review.

India's Supreme Court has also held that there is no right to representation without management recognition.

The controversial first draft of the Labour Code on Industrial Relations Bill, 2015, also did not include provisions for union recognition (see also page 10). At the time of writing, it was unclear whether the revised draft bill would address this crucial shortcoming. Several trade union activists and worker leaders have told Finnwatch and Cividep that the lack of mandatory or statutory union recognition provisions is one of the main concerns for them.

A few states in India, such as Maharashtra, Kerala, West Bengal, Bihar and Odisha⁵⁹ have introduced state level regulations for union recognition. It should however be noted that even though mandatory or statutory union recognition is not provided for by the law, there is nothing to prevent companies from recognising unions should they wish to do so.

For more information see <https://www.ilo.org/dyn/natlex/docs/WEBTEXT/32075/64876/E26IND01.htm>

59 Business Standard, 8.7.2015, Mandatory recognition for trade unions likely, https://www.business-standard.com/article/economy-policy/mandatory-recognition-for-trade-unions-likely-115070800039_1.html

Operational-level grievance mechanisms

Although the best grievance mechanism is a collective bargaining system, and other operational-level grievance mechanisms cannot replace collective bargaining, grievance mechanisms that aim to promote the rights of the most marginalised and vulnerable groups in a society can also play an important role in addressing individual workplace issues, including disciplinary issues and collective disputes. The need for such complementary measures is especially pronounced in contexts such as India, where traditional beliefs run deep, and women and those affected by caste-based discrimination have also largely been excluded from the workers' movement⁶⁰.

The UN Guiding Principles on Business and Human Rights (UNGPs) include effectiveness criteria for operational level grievance mechanisms. A joint investigation by SOMO, ICN and Homeworkers Worldwide, however, found that the complaint mechanisms implemented by Ethical Trading Initiative ETI, a UK-based social responsibility scheme, and Social Accountability International SAI, the owner of the SA8000 social sustainability standard, in India did not provide remedy to the affected textile and garment sector workers⁶¹. In particular, both mechanisms failed to engage workers in a meaningful manner, and they did not meet the effectiveness criteria in the UNGPs.

60 Ali, Subhashini, *Indians on Strike: Caste and Class in the Indian Trade Union Movement* (2011), <https://new-laborforum.cuny.edu/2011/05/03/indians-on-strike-caste-and-class-in-the-indian-trade-union-movement/>. Also, more pointedly, Meena Varma, the Chair of the International Dalit Solidarity Network, has said that: "Hundreds of millions of South Asians are affected by caste-based discrimination, and many of those do not see trades unions as allies confronting this system of human rights abuses, but rather as part of the system that is abusing them."

61 SOMO, India Committee of the Netherlands and Homeworkers Worldwide, *Case closed, problems persist: Grievance Mechanisms of ETI and SAI fail to benefit young women and girls in the South Indian textile industry*, <https://www.somo.nl/case-closed-problems-persist/>

GENDER EQUALITY

The law in India prohibits discrimination in the workplace and requires equal pay for equal work, but employers often pay women less than men for the same job, discriminate women in employment and credit applications, and promote women less frequently than men.

Women's participation in the labour market in India is low, around 27%, and declining⁶². Observers have attributed the decline to a number of reasons such as women's increased enrolment in higher education, more women opting for unremunerated work in the household or completely withdrawing from the labour market due to their family's improved economic conditions, or simply changes in the methodology to gather data⁶³. In the leather industry, the majority of workers are male (70%⁶⁴) but in the textile and garment sector, the majority (also 70%⁶⁵) are women.

Although women's wages have increased more rapidly than men's wages, the gender pay gap remains high in India at 34%. Gendered analysis of statistics on wages shows that women are paid less than men in each employment category and location (urban and rural). In fact, researches speak not only about a "glass ceiling" but also a "sticky floor" when it comes to gender equality in India. This means that the gender pay gap is greatest among lower-earning workers and declines towards the higher end of the wage scale.⁶⁶

Gender rights at work

Gendered and sexual violence and sexual harassment are common in India. India

62 Women's labour force participation rate in India was 35% in 1990 and 27% in 2018. See <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS> Women's participation in regular/salaried employment in India has actually increased but at the same time, women's participation in self-employment and casual labour has decreased more.

63 ILO, *India Wage Report*

64 Council for Leather Exports, *Industry At a Glance*, <http://leatherindia.org/industry-at-a-glance/>

65 Government of India, Ministry of Textiles, *Annual Report 2017-18*,

66 ILO, *India Wage Report*

adopted its first law specifically addressing the issue of workplace sexual harassment in 2013⁶⁷. The law requires every employer employing 10 or more people to set up an Internal Committee (IC) to prevent, investigate and redress grievances on sexual harassment. Employers who fail to set up an IC risk a fine of up to 50 000 Rs (643,5 euros).

Although the number of complaints of sexual harassment has increased significantly since the adoption of the 2013 law, an Indian Bar Association survey, conducted in 2017, found that 70% of women did not report sexual harassment because they feared repercussions. Also, 65% of women said that their employers did not follow the requirements of the 2013 law, and 47% of companies admitted that the members of their ICs were not aware of the legal provisions pertaining to sexual harassment.⁶⁸

In 2017, statutory maternity leave was extended from 12 weeks to 26 weeks. The law in India does not recognise paternity leave for private sector employees. All industrial establishments that employ 50 or more people must by law have a creche. The law also stipulates that women workers can visit their children in the creche four times during a working day.⁶⁹

In addition to the Maternity Benefit Act, India's other labour laws also include special provisions for women. Women are, for example, prohibited by law from working between 10pm and 5am. State governments can also make rules to bar women from certain professions deemed hazardous for them. These laws are meant to protect women, although at face-value, they are discriminatory and put women in an unequal position in recruitment and in the workplace.

67 Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

68 Chachra, Manisha, *Despite Law, 70% Working Women Do Not Report Workplace Sexual Harassment; Employers Show Poor Compliance*, (2017) http://www.nishit-hdesai.com/fileadmin/user_upload/pdfs/Research%20Papers/Prevention_of_Sexual_Harassment_at_Workplace.pdf

69 Maternity Benefit (Amendment) Act, 2017, <https://labour.gov.in/sites/default/files/Maternity%20Benefit%20Amendment%20Act%2C2017%20.pdf>

Gender impacts of India's labour reforms

India's Equal Remuneration Act, 1976, prohibits gender discrimination in wages and recruitment. Although the prohibition of gender discrimination in wages has been maintained in the Labour Code on Wages, 2017, the new Labour Code is silent on gender discrimination in recruitment which the Equal Remuneration Act also forbade. Academics and NGOs have both considered this a major blow to women's rights in India⁷⁰.

However, due to rampant sexual harassment and verbal/physical abuse, even trade unions, including women-led unions, are not currently proposing changes to these laws.

CHILD LABOUR

According to official statistics, child labour has been reduced in India in the last two decades, largely due to government programmes to support children's schooling. Still, more than 3 million children between the ages 5–14 (1.5% of the age group) in India were working in 2016⁷¹. According to UNICEF India, factors that contribute towards child labour include poverty and illiteracy of a child's parents, the family's social and economic circumstances, a lack of awareness about the harmful effects of child labour, lack of access to basic and meaningful quality education and skills training, high rates of adult unemployment and underemployment, and the cultural values of the family and surrounding society⁷².

The declining child labour statistics have been questioned by children's rights organisations which suggest that child labour has simply become more invisible as children have been removed from factories and the

70 Action Aid, *India's Labour Law Changes*

71 US Department of Labor, *Child Labor and Forced Labor Reports: India*, <https://www.dol.gov/agencies/ilab/resources/reports/child-labor/india>

72 Unicef India, *Child Labour*, <http://unicef.in/whatwedo/21/child-labour>

organised sector to the informal sector and home-based work⁷³.

In 2017, India ratified both ILO Core Conventions⁷⁴ pertaining to child labour. The Indian law now amended to comply with the ILO conventions allows for children below 14 to work for family enterprises, farms and forest after school hours. Child rights organisations have criticised this clause strongly as it leaves a majority of child labourers out of the ambit of the law. Large number of children can continue to work in home-based units which can get classified as a family enterprise.⁷⁵

In 2016, children under the age of 18 were also prevented from hazardous employment by law⁷⁶. However, according to the US State Department, the 2016 hazardous work prohibitions do not include all occupations in which children work in unsafe and unhealthy environments for long periods of time, such as spinning mills and garment production⁷⁷.

According to ICN, child labour is common in the production of leather in India, especially in the informal sector⁷⁸. In 2015, police rescued 350 children from a tanning and plastic workshop in Hyderabad, Telangana. The children, who were originally from Bihar, one of India's poorest states, were confined to their workplaces in unhygienic and unventilated dark rooms, forced to work for nearly 12 hours per day and monitored by video cameras.⁷⁹ Fair Labor Association in 2017

found only 55% of children in surveyed area in Agra, Uttar Pradesh, enrolled in schools. Of the working children, over half had never been to a school, with many working at home, or in informal, small production units making shoes⁸⁰. Agra is a major shoe making centre, producing 200 million pairs of shoes annually⁸¹.

Child labour is also common in the production of cotton and in the home-based garment sector. For example, it has been estimated that in 2014–15, children under 14 years of age accounted for more than 25% of the total workforce in cottonseed farms in India⁸². Most of them were school dropouts or had never been to school. Work at cottonseed farms exposed them to various health risks due to the use of pesticides.

A recent investigation into the conditions of work in the home-based garment sector in India found over 15% prevalence of child labour⁸³. An earlier Save The Children study that surveyed study surveyed more than 8000 child home-based workers in 5 districts of New Delhi carrying out embroidery, embellishments and finishing of garments found that almost 36% of them received less than Rs 100 (1,3 euros) a month for their work⁸⁴.

FORCED LABOUR

The Global Slavery Index 2018 estimates that in India, there are nearly 8 million people living in modern slavery⁸⁵, defined

73 Unicef India, Child Labour

74 ILO, India ratifies both fundamental ILO Conventions on Child Labour, https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_557295/lang--en/index.htm

75 India Spend, 25.7.2016, New law bans child labour – but not in family firms, farms, <https://archive.indiaspend.com/making-sense-of-breaking-news/new-law-bans-child-labour-but-not-in-family-firms-farms-69308>

76 Child Labour (Prohibition and Regulation) Amendment Act, 2016, <https://labour.gov.in/sites/default/files/THE%20CHILD%20LABOUR%20%28PROHIBITION%20AND%20REGULATION%29%20AMENDMENT%20ACT%2C%202016.pdf>

77 US Department of Labor, Child Labor and Forced Labor Reports: India

78 India Committee of the Netherlands, 2017, Do leather workers matter? Violating labour rights and environmental norms in India's leather production

79 BBC, 5.2.2015, Police in southern India rescue hundreds of child workers, <https://www.bbc.com/news/world-asia-31148074>

80 Fair Labor Association, New report proposes strategies for reducing child labor in Agra, India (2017), <http://www.fairlabor.org/tr/node/2383>

81 Thomson Reuters Foundation, 19.12.2017, Children stitch shoes for global market in India's tourist magnet Agra, <https://in.reuters.com/article/india-slavery-child-labour/children-stitch-shoes-for-global-market-in-indias-tourist-magnet-agra-idINKBN1ED1ZT>

82 India Committee of the Netherlands and Stop Child Labour Coalition, Cotton's forgotten children (2015), <http://www.indianet.nl/CottonsForgottenChildren.html>

83 Kara, Siddharth, Tainted Garments: The exploitation of women and girls in India's home-based garment sector (2019), <https://www.candafoundation.org/en/latest/news/2019/02/tainted-garments.pdf>

84 Save The Children, The Hidden Workforce: A study on child labour in the garment industry in Delhi, available at <https://www.savethechildren.in/sci/files/20/20de51ee-ef61-4334-9ee2-697ff04eed29.pdf>

85 Global Slavery Index 2018, Country Studies: India,

as referring to situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception, and/or abuse of power and covering forced labour, debt bondage, forced marriage, slavery and slavery-like practices, and human trafficking⁸⁶. According to the National Crime Records Bureau statistics, the authorities in India in 2016 rescued more than 23 000 people from trafficking situations of whom more than 14 000 were minors⁸⁷. Of the victims, nearly half reported having been trafficked for the purpose of forced labour.

Although bonded labour has been criminalised in India, it remains prevalent. Bonded labour in spinning mills in Tamil Nadu where the majority of India's spinning mills are located, is known as *sumangali*. The word "sumangali" in Tamil means "an unmarried girl becoming a respectable woman by entering into marriage"⁸⁸. In the context of employment, sumangali scheme refers to a practice of recruiting young women, usually from rural, economically disadvantaged areas where there are fewer or no other opportunities for employment available, to work for 3 years in spinning mills. At work, these young girls are subjected to exploitation such as compulsory overtime, compulsory late night shifts and excessive working hours, and their freedom of movement is restricted. Instead of a monthly wage, they are promised accommodation and food, and a lump sum at the end of their employment. The lumpsum is publicised by the employers as a useful contribution to dowry when the young girl gets married. Despite dowry being illegal in India, a number of families continue the tradition of the bride's parents providing the groom's family with substantial sums of money at the event of

marriage. However, many leave employment early, often due to illness, and therefore never receive the promised lump sum.⁸⁹

In 2018, an investigative report by *The Guardian* found young girls held captive in spinning mills in the supply chains of Hugo Boss, and other UK high-street brands such as Next and Mothercare⁹⁰.

MIGRANT WORKERS

Estimates on labour migration in India put the figure of migrants from one Indian state to another at almost 9 million per year⁹¹. The total number of internal migrant workers in India is believed to be around 139 million⁹². Seasonal migrants dominate the informal jobs in sectors such as construction, hotel, textile, manufacturing, transportation, services, domestic work etc.

Poverty in India is concentrated in certain states: more than 60% of India's poor (and 45% of its total population) live in the low-income states of Jharkhand, Odisha, Rajasthan, Uttar Pradesh, Bihar, Chhattisgarh, and Madhya Pradesh.⁹³ People from these states, as well as Punjab, Uttarakhand, Jammu and Kashmir and West Bengal, migrate en masse to states such as Delhi, Maharashtra, Tamil Nadu, Gujarat, Andhra Pradesh and Kerala. Lack of social networks as well as cultural differences and language barriers – which can be compared to moving to another country – add to their vulnerability in their destination.

The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service)

<https://www.globallslaveryindex.org/2018/findings/country-studies/india/>

86 Global Slavery Index 2018, Methodology, <https://www.globallslaveryindex.org/2018/methodology/overview/>

87 National Crime Records Bureau, Crime in India 2016, <http://ncrb.gov.in/StatPublications/CII/CII2016/pdfs/NEWPDFs/Crime%20in%20India%20-%202016%20Complete%20PDF%20291117.pdf>

88 Chandra, Rochin, Sumangali Scheme: When marriage assistance becomes bonded labour in disguise (2016), <https://www.thenewsminute.com/article/sumangali-scheme-when-marriage-assistance-becomes-bonded-labour-disguise-52320>

89 For more information see for example Solidaridad, Understanding Sumangali Scheme in Tamil Nadu, <https://www.solidaridadnetwork.org/publications/understanding-sumangali-scheme-in-tamil-nadu>

90 The Guardian, 4.1.2018, Workers held captive in Indian mills supplying Hugo Boss, <https://www.theguardian.com/global-development/2018/jan/04/workers-held-captive-indian-mills-supplying-hugo-boss>

91 India on the Move and Churning: New Evidence, <http://indiabudget.nic.in/es2016-17/echap12.pdf>

92 Sharma, Krishnavatar, India has 139 million internal migrants. They must not be forgotten (2017), <https://www.weforum.org/agenda/2017/10/india-has-139-million-internal-migrants-we-must-not-forget-them/>

93 World Bank, India's Poverty Profile

Act, 1979⁹⁴, regulates the employment of internal migrants. The act specifies, for example, that contractors who recruit or employ migrant workers, must give migrant workers a “pass-book” which contains details of employment, allowances paid and details of next of kin. The pass-book can act as an identity and local address proof and help workers access basic social services but more importantly it serves to track registration of workers under the Inter-State Migrant Workmen Act⁹⁵. The law also says that migrant workers are entitled to a displacement allowance of 50% of their monthly wage and a journey allowance for both outward and return trips. Often though, such allowances are not paid to the workers, and they are also not given any pass-books.

A large proportion of India’s internal migrants have low levels of education. They enter the job market as unskilled labourers at a young age, typically as contract labour. As contract labour, they experience no upward mobility and remain stuck at unskilled, low-paying, hazardous work. As the Global Slavery Index points out, this has severe inter-generational implications transferring vulnerability, poor health and low level of skills from parents to children⁹⁶.

94 Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979, <https://labour.gov.in/whatsnew/inter-state-migrant-workmen-regulation-employment-and-conditions-service-act-1979-30-1979>. The act applies to every establishment that employs four or more interstate migrant and to every contractor that engages five or more interstate migrants.

95 Lawyers Club India, Migrant labour – A detailed study (2011), (<http://www.lawyersclubindia.com/articles/Migrant-Labour-A-detailed-Study-4218.asp>)

96 Global Slavery Index 2018, Country Studies: India

PART 2 Case studies

4. Wheslyn Group (Balmuir)

Wheslyn Group Oy was set up in 2007⁹⁷. The fast-growing company is headquartered in Oulu, Finland. In 2014, its turnover was nearly 3 million euros but by 2018, its turnover had more than doubled to 6,7 million euros. The company employs 50 people.⁹⁸ Wheslyn Group's best known brand is the luxury lifestyle brand Balmuir. Balmuir's product range comprises interior decoration items and fashion accessories⁹⁹.

Wheslyn Group/Balmuir does not have any in-house manufacturing and manufacturing of all its products has been outsourced to a network of suppliers. According to Wheslyn Group, most of Balmuir's suppliers are based in Italy, Portugal, Lithuania, Nepal, South-Africa and China. In addition, Balmuir also has suppliers in Peru, India, Turkey, Poland and Finland¹⁰⁰. The company aims to develop long-term business relationships with its suppliers, and claims to have never changed the supplier of any of its products for any reason¹⁰¹.

One of Wheslyn Group/Balmuir's Indian suppliers is HS Exports. During the first three months of 2018, HS Exports shipped interior decoration leather items worth of more than 70 000 USD (FOB) in total to Wheslyn Group/Balmuir. These shipments included products such as Kensington chests, Oxford mirrors, Hamilton trays, and many more. Wheslyn Group provided Finnwatch openly with information about HS Exports when asked about their business relations in India¹⁰², and assisted in making arrangements for an on-site visit to HS Exports.

In recent years, the number of leather items in Balmuir's product range has been reduced and subsequently, Wheslyn Group's purchases from HS Exports are on the decline. According to Wheslyn Group, it currently buys about 7% of HS Exports' output. This corresponds with about 5% of Wheslyn Group's purchases.¹⁰³

During correspondence with Finnwatch, Wheslyn Group on many occasions stressed the closeness of the relationship between itself and HS Exports, and how Wheslyn Group had worked together with HS Exports to build up its capacity to produce the kind of goods that would meet the requirements of Wheslyn Group and the expectations of the customers of the Balmuir brand.

CSR IN WHESLYN GROUP

According to the company, sustainability for Balmuir means ethical business decisions and responsible actions in everyday work, including sustainable sourcing¹⁰⁴. In terms of corporate social responsibility, the company appears to be in early stages of work. Wheslyn Group, for example, joined Amfori BSCI¹⁰⁵ only in 2018 when this report was being prepared, and in communications with Finnwatch, expressed its intention to begin mapping its human rights impacts in 2019¹⁰⁶. In 2019, Wheslyn Group also began the process of arranging an audit to HS Exports¹⁰⁷.

97 Business Oulu, Yrityskatalogi (2013) – Wheslyn Group Oy / Balmuir, available at <https://www.businessoulu.com/media/teollisuuskatalogi-pdf-tiedostot/suomi/wheslyn-group.pdf>

98 Kauppalehti, Yrityshaku, <https://www.kauppalehti.fi/yritykset/yrityshaku>

99 Balmuir, About Balmuir, <https://www.balmuir.com/shop/about-balmuir>

100 Balmuir, Sustainability, <https://www.balmuir.com/shop/sustainability>

101 Wheslyn Group Oy response to Finnwatch, 28th November 2018

102 Wheslyn Group, Heidi Jaara, email on 19th May 2017

103 Wheslyn Group Oy response to Finnwatch, 28th November 2018

104 Balmuir, Sustainability

105 Amfori BSCI is a social responsibility monitoring scheme commonly used by Finnish Companies. Amfori BSCI audits can be applied to factories across industries. For more information see for example Finnwatch, Perspectives on the quality of social responsibility monitoring schemes (2016), available at https://finnwatch.org/images/pdf/PerspectivesOnVSS_forweb.pdf

106 Wheslyn Group Oy answer to Finnwatch, 28th November 2018. The company did not provide further details about the risk assessment process.

107 Wheslyn Group, Hanna Seppälä, email on 19th March 2019

In its public communications, Balmuir has been emphasizing the importance of supply chain transparency. The company, however, gives out contradictory information regarding its supply chain governance on its website. On the one hand, it claims to “follow and control the entire production chain starting from the source of the raw material”. On the other hand, it also says that it only “expects [its] suppliers to know their material sources and possible subcontractors. It’s important for us that the raw material sources are traceable.”

When Finnwatch shared its field research findings with Wheslyn Group, the company appeared to react with surprise to testimonies from Finnwatch and Cividep’s field research that spoke of extensive subcontracting and possible hidden workforce (see more below), suggesting a lack of knowledge of how production at HS Exports was organised. The company’s reaction also suggests that its claims about control over the entire production chain are inflated to say the least. A responsible company ought to have in place systems to manage possible supply chain outsourcing. This is particularly important in the context of India where outsourcing is the norm and the related numerous human rights risks well-documented.

HS EXPORTS

HS Exports was established in 2001 and has a turnover of about 2 million euros per year¹⁰⁸. The company is located in Faridabad in India’s National Capital Region, a metropolitan area that comprises New Delhi and the urban areas surrounding it in its neighbouring states of Haryana, Uttar Pradesh and Rajasthan. HS Exports produces high-end products such as leather furniture, leather accessories, storage boxes, chairs, trays etc. for the export market. At present, the majority of the company’s customers are Chinese. Its second largest market is Europe and its third largest market is the US.¹⁰⁹ The company has not been

audited or certified by any internationally well-known social responsibility auditing or certification scheme. According to both Wheslyn Group and HS Exports, HS Exports employs 40 people, excluding the owner, security personnel and housekeeping staff.

How production at HS Exports is organised

HS Exports has one factory in Faridabad where functions such as cutting, pasting (attaching leather to wooden or metal components using glue) and colouring of leather, leather cladding, metal buffing, and packaging take place.

Across the street from the factory there are at least three small work units, or workshops, where wooden and metal components for HS Exports products are being prepared. Other activities that take place in these workshops include preparing and colouring of leather and leather cladding. Components that are produced in these work units are taken into HS Exports factory for finishing; they are not finished products that could be sold directly to other customers. As metal and wooden structures are not produced in the HS Exports factory, the work that is done in these workshops is clearly of essential nature for HS Exports.

When Cividep delegation visited HS Exports, they were shown the HS Exports factory and a warehouse which is located on top of the factory building. When asked about the workshops which were closed for business on the day, HS Exports representatives told Cividep delegation that the workshops were a “*completely different factory producing completely different kind of goods*”. At the time, HS Exports acknowledged no ownership of, or a subcontracting or any other kind of a business relationship, with any of these workshops.

¹⁰⁸ HS Exports representative, email on 9th, 11th and 14th January 2019

¹⁰⁹ Meeting with HS Exports management, 23rd–24th March 2018

Leather industry in India

India's fast growing leather industry comprises footwear, finished leather, leather goods, leather garments, footwear components and saddlery and harness. In footwear and leather garment categories, India is the second largest producer in the world. In the financial year 2016–17, the value of India's leather sector was nearly 18 billion USD of which exports¹¹⁰ accounted for approximately one-third. By 2020, India's leather industry is expected to be worth 27 billion USD. In addition to government-backed programmes¹¹¹ to support leather sector's growth, investors are also drawn to the sector by abundant availability of raw material¹¹² and relatively low production and labour costs as compared with other leather manufacturing countries. According to the Indian government, *"with 55% of the workforce below the age of 35, the Indian leather industry has one of the youngest and most productive workforces."*¹¹³

The leather sector is one of India's oldest manufacturing industries. Sectoral development has been shaped mainly by two policies. Firstly, the Industries (Development & Regulation) Act, 1951¹¹⁴, reserved leather and leather products for the manufacture in small-scale enterprises for reasons of employment generation and preservation of traditional skills¹¹⁵. Still today,

production of leather remains dominated by small-scale tanneries¹¹⁶. Secondly, in the 1970s, the government began exploring the export potential of leather industry. Export of raw hides and skins was banned, for example, and incentives introduced for higher value-added products¹¹⁷. In early 2000s, urban export clusters were developed and the traditional rural leather industry dominated by the Dalit community collapsed. A huge pool of Dalit small-scale leather entrepreneurs in the rural or semi-rural areas lost their trade and were turned into a labour force for the urban leather clusters¹¹⁸.

Leather industry is labour intensive. India's national manufacturing policy identifies leather as a special focus sector not only for growth but also for employment generation. At present, according to India's Council for Leather Exports, the sector provides employment to approximately 3 million people, *"mostly from the weaker sections of the society"*¹¹⁹. Most leather supply chain workers still belong to traditional leather working castes (Dalits) or are Muslims¹²⁰. About 30% of the labour force in the leather sector are women¹²¹. The major production centers for leather and leather products in India are located in the states of Tamil Nadu, West Bengal and Uttar Pradesh.¹²²

Typical leather supply chain



Source: https://mvonederland.nl/system/files/media/research_on_sustainability_in_the_leather_supply_chain_final_report_june_2013.pdf

110 12 countries account for nearly 73% of India's total leather and leather products exports; European Union accounts for 52%.

111 For more information see Press Information Bureau, Government of India, Ministry of Commerce & Industry, Special Package for Employment Generation in Leather and Footwear Sector (2018), <http://pib.nic.in/newsite/PrintRelease.aspx?relid=178356>

112 India accounts for nearly 13% of the world's production of hides and skins.

113 Make in India, <http://www.makeinindia.com/sector/leather>

114 Industries (Development and Regulation) Act, 1951, <http://legislative.gov.in/sites/default/files/A1951-65.pdf>

115 During the period when reservation was in force (1967–2003), small-scale producers were supported in overcoming challenges related to growth and performance through the provision of long-term subsidised financing and various other incentives.

116 Of the tanneries in India, 75% are small-scale units, 20% medium-size and 5% large-scale units.

117 Centre for Education and Communication, Leather Industry in India (2008), available at <http://www.cec-india.org/libpdf/1437550410LeatherIndustryinIndia.pdf>

118 India Committee of the Netherlands, Do Leather Workers Matter: Violating Labour Rights and Environmental Norms in India's Leather Production (2017), available at <http://www.indianet.nl/pdf/DoLeatherWorkersMatter.pdf>

119 Council for Leather Exports, Industry At a Glance, <http://leatherindia.org/industry-at-a-glance/>

120 Hindus traditionally consider working with hides and skins as something impure and polluting, and therefore assign working with hides to Dalits and Muslims.

121 Council for Leather Exports, Industry At a Glance

122 Council for Leather Exports, Industry At a Glance

During unannounced off-site visits, the workshops opposite HS Exports were operational, and both temporary and casual workers from the workshops were interviewed (see page 23). All interviewees named HS Exports as their employer and none claimed to be working for, or supplying, any other company. Further, during unannounced field visits a notice that forbid anyone entering with a camera was observed posted on each workshop's door. These notices all included an HS Exports stamp. According to Wheslyn Group, the signs are there because HS Exports protects their own and subcontractor production from information leaking to competitors¹²³. However, the signs also demonstrate that HS Exports has at least some control over all these work units.

In their written comments to the draft of this report, HS Exports admitted to owning one of the workshops opposite the factory and said that the other two workshops were their subcontractors. Overall, HS Export said it outsources 10% of its production to subcontractors, and that 50% of its outsourced production is handled by just these two subcontractors. In their response, HS Exports further noted that in the industry sector, subcontracting of work to small work units and even home-based work is common¹²⁴ and that the workshops are fully independent of HS Exports and producing goods for other buyers, too¹²⁵. However, HS Exports also in their response acknowledged that the owner

of the company is very close to the people running these work units, and that HS Exports has provided these units with some facilities such as office equipment and CCTV cameras and raw materials such as leather, wood and metal fittings. Indeed, HS Exports also in their response said that these workshops are widely perceived in the area to belong to HS Exports.¹²⁶

Both companies, Wheslyn Group and HS Exports, in their responses sought to make a clear distinction between working conditions at HS Exports' own factory and in the workshops, noting also that the subcontracting arrangements are completely legal in India.

Finnwatch and Cividep are unable to verify whether the small work units opposite HS Exports factory are indeed independent establishments, or to confirm how exclusively these workshops are supplying HS Exports. However, the fact that HS Exports during the on-site visit provided Cividep delegation untruthful information about its relationship with the three workshops – including the one which it actually owns – together with information obtained during unannounced visits and from off-site interviews suggest to Finnwatch and Cividep an attempt to hide a significant labour force (of more than 100 workers) who are paid illegally low wages and excluded from social security and other benefits through perhaps somewhat artificial subcontracting and outsourcing arrangements. Small units with less than 20 workers are, for example, exempt from social security schemes and some other basic labour regulations in India (see page 7). Indeed, in their written response HS Exports confirmed that the two subcontractors who handle 50% of their outsourced production do not meet the thresholds for Employee State Insurance (ESIC)¹²⁷ and Provident Fund (PF, pensions). This means that workers in these workshops have no pension to provide for their old age

123 Wheslyn Group, Hanna Seppälä, email on 19th March 2019

124 A similar set-up is described the Global Living Wage Coalition's Living Wage Report for Bhadohi, rural Uttar Pradesh. The example in the report is from carpet weaving industry: "Carpet weaving in Bhadohi (rural UP), is carried out largely by weavers, who are engaged by subcontractors. The subcontractors set up a few looms where the weavers work on a piece rate system, some of which are home based as well. Such establishments are not registered and do not come under the labour legislative framework. Some weavers are migrants who come from other parts of the UP and other neighbouring states. (...) There are also a few factories, which are owned and operated by the carpet exporters themselves, employing larger number of workers. Such factories are registered under the Factories Act, and the workers are reportedly better paid (at least the prescribed minimum wages)."

125 According to HS Exports, it buys 40% of its subcontractors output.

126 HS Exports representative, email on 9th, 11th and 14th January 2019

127 Employees' State Insurance Act, 1948, provides for free medical treatment in designated clinics and hospitals against small monthly contributions made by workers and employers covered by the act. ESIC is a key component of India's social security system.



Balmuir brand interior decoration leather items, including Kensington chests, Oxford mirrors, Hamilton trays, and Winston ice buckets are made by HS Exports.

and that they and their families are not eligible for free medical treatment in designated, state-run hospitals.

METHODOLOGY

For this report, individual and focus group interviews were conducted with altogether 30 people on three occasions between January and August 2018 of whom 13 were permanent workers, 4 were temporary workers and 13 were casual, piece-rate workers. The permanent workers were all employed in the HS Exports main factory and the temporary workers and casual, piece-rate workers were employed in the work units opposite the factory. Interviews were conducted both on-site and off-site. The testimonies of those workers who were interviewed on-site differ in important respects from the testimonies obtained off-site, raising questions of possible coaching of workers for the on-site interviews. When asked, the workers interviewed on-site, however, denied any coaching.

The interviews in January were part of an initial scoping into leather industry in the area and the operations of HS Exports, and they were conducted off-site. The interviewees in January included only temporary and casual, piece-rate workers. The interviewed temporary workers had been recruited through

word-of-mouth instead of opening up a vacancy for applications. They had no written contract or appointment letter, no social security or leave benefits, and according to themselves, their job status is “not permanent”. This category of workers does not fit into any generally accepted worker category in India. For more information see page see Chapter 2.

On 23rd–24th March 2018, two researchers from Cividep India visited HS Exports on-site. Wheslyn Group assisted Finnwatch in securing HS Exports cooperation and finding a suitable time for the visit. During the visit, the Cividep delegation held meetings with the HS Exports management, interviewed permanent workers and inspected factory records and documentation. The two Cividep researchers were also given a tour of the newly renovated factory premises; as per the account of the HS Exports management, the factory had been renovated due to the company’s Chinese customers’ recent visit.

The Cividep delegation was able to select permanent workers for the on-site interviews themselves from the day’s attendance list, and to conduct interviews with the selected workers in private. They were also able to review factory records regarding salary, ESIC and PF contributions for the last six years.

Workers live in poor conditions

All interviewees lived in the vicinity of the factory, mostly renting one-room houses, some sharing the room with their family, or in shared flats. Typically, the same room functions as kitchen as well as bedroom. Reported rents for a room in a shared flat ranged from 3000–5000 Rs (38,6–64,4 euros) per month. Drinking water is supplied to the neighbourhood from an open tank and carried to homes in buckets. Toilets are shared with neighbours. Waste and water management is poor. Garbage is not collected regularly and is rotting on the sides of the streets. Tared roads are in very poor condition, and at times, streets can become waterlogged because of poor sewage facilities.



The third set of interviews conducted in August, were focussed on temporary and casual, piece-rate labour and they were again conducted off-site. On all three occasions, the interviews were conducted in Hindi, a language in which all the interviewees were fluent.

Only three of all 30 interviewees were women and only two were local recruits; the rest were internal migrants from India's other states. The majority were Muslims and of the interviewed Hindus, the majority belonged to Scheduled Caste (Dalits). Some of the workers were illiterate; the educational level of most of the interviewees can be described as basic.

The interview sample reflects the overall composition of HS Exports and workshops' labour force which, according to the interviewees, is mostly male, mostly Muslim and mostly migrant. This already raises some concerns as migrant casual labourers are often among the most vulnerable workers in India. Women, on the other hand, are widely discriminated in employment in India (see Part 1 of this report).

Of the interviewees, some were new recruits with only a few months of service whereas others had been working at HS Exports for well over 10 years. Five were former employees of HS Exports or nearby workshops.

Finnwatch and Civedep shared the field research findings with both Wheslyn Group and HS Exports prior to the publication of this report, and both companies were given ample time to respond. Their responses are incorporated below where relevant.

Generally, all interviewed workers were reluctant to discuss working conditions with the field researchers and hesitated to give out detailed information. Off-site, some interviewees said they had been discouraged from talking to outsiders about their work. Indeed, at first the field researchers who conducted the worker interviews for this report feared that HS Exports may retaliate against the workers and requested that the company's name should not be made public in this report. Finnwatch and Civedep agreed to publish the name of the company only after assurances and an action plan for addressing labour rights issues highlighted in this report

were received from both Wheslyn Group and HS Exports.

EXCESSIVE OVERTIME WITHOUT OVERTIME PAY

According to all interviewees who were interviewed off-site (i.e. temporary workers and casual, piece-rate labour), a working day at both the HS Exports factory and the nearby workshops is usually 12 hours. This comprises 8-hour “regular” working day, 1-hour lunch break and 3 hours overtime. In addition to lunch break, workers also get two tea breaks of 15 minutes each during which the company provides them with small snacks. Temporary workers claimed to be paid the same rate for regular hours and overtime. In other words, they were working illegal amount of overtime without adequate compensation¹²⁸.

Piece-rate workers were not compensated for overtime at all as their compensation is not time-based. In addition to regular overtime, piece-rate workers also reported massive workloads close to order delivery dates, and occasional Sunday work. They were not compensated for overtime nor Sunday work at all as their compensation is not time-based and all their compensation is included in the piece-rate payment.

The factory records that were reviewed by Cividep researchers during their on-site visit contained no records of overtime. Indeed, the factory records only included information on HS Exports’ permanent workers. According to HS Exports management, overtime in the factory is rare and instead of overtime and only when necessary, work is given on piece-rate basis to subcontractors who supervise a small group of casual workers (4–6 people) who work under them either in small workshops or small clusters of houses (home-based work).

SALARIES IN WORKSHOPS ARE BELOW THE MINIMUM WAGE

The legal minimum wage in Haryana state in the first half of 2018 was 326.82 Rs (4,2 euros) per day for unskilled labour, 378.34 Rs (4,9 euros) per day for skilled labour, and 417.12 Rs (5,4 euros) per day for highly skilled labour. Both unskilled and skilled permanent HS Exports’ workers who were working in the main factory and who were interviewed on-site reported earnings on par with, or higher than, the applicable minimum wage.¹²⁹

However, the field research findings indicate that temporary workers are compensated at significantly lower rates than permanent workers. In off-site interviews, temporary helpers (unskilled labour) were reported to earn between approximately 5000–6000 Rs (64,3–77,2 euros) gross per month for full-time employment, or 192–230 Rs per day (2,5–3 euros), which is below the legal minimum wage. The same applies to skilled temporary workers with a few years’ experience who were interviewed off-site. They reported earning between approximately 8000–9000 Rs (102,9–115,7 euros) gross per month for full time employment (307–346 Rs per day, 3,9–4,4 euros).

The highest reported earnings that the interviewed casual, piece-rate workers reported were 14000–16000 Rs per month (180–205,7 euros). However, according to the interviewees, this was not only very rare but also required them to work for 14–16 hours a day for the whole month without rest.

Permanent HS Exports workers said that salaries are paid to their accounts whereas temporary and casual workers all said they are paid in cash. On a positive note, all interviewees said that their wages are always paid on time and that even those who quit their jobs, receive wages for all those days they have worked. This was cited by several interviewees, especially those who were working

¹²⁸ Labour law in India provides for overtime compensation double the normal rate.

¹²⁹ Unskilled workers reported earnings of 8400 Rs (108 euros) per month or 323 Rs (4,1 euros) per day. Skilled worker reported earning of 12000–15000 Rs (154,3–192,9 euros) per month or 462–577 Rs (5,9–7,4 euros) per day.

HS Exports factory in Faridabad, Haryana. When the Cividep delegation visited the factory in March 2018, the factory had recently been renovated. This picture was taken shortly before the renovation.



in the workshops, as the main reason they continued to work for HS Exports.

NO PROOF OF EMPLOYMENT RELATIONSHIP

The majority of the interviewees said that they are not given any payslips. Those who implied that they were given payslips were all permanent HS Exports workers. Even they were, however, unable to provide Cividep researchers any copies of payslips upon request, or give details about their payslips. They were only clear about the salaries they received, and any questions about deductions or additions received vague or no replies.

The majority of the interviewees also said that they had not been given a written employment contract or an appointment letter. Again, the only employees who said that they had been given an appointment letter when they joined the company were all permanent workers with several years of service at HS Exports.

Although a written employment contract is not a legal requirement in India (contracts can by law be communicated orally as well), written employment contracts are recommended good practice and a standard requirement in many international social responsibility schemes – and in the Wheslyn Group Supplier Code of Conduct, as noted by the company. Without an employment contract, appointment letter, payslips or bank transfer receipts, it is nearly impossible for temporary and casual workers to prove employment relationship when necessary (for example in case of non-payment of dues or illegal termination, and if the employer then contests workers' account).

SOCIAL SECURITY, PAID LEAVE AND ANNUAL BONUS ONLY FOR SOME

Interviewed temporary workers said they are not linked to India's social security schemes (ESIC and PF). Casual workers are typically not linked to social security in India (see page 6 for more information).

Those who reported being linked to social security schemes were all HS Exports' permanent workers who were interviewed on-site. During their on-site visit, Cividep researchers were able to review factory records of ESIC and PF payments for permanent workers. The researchers observed nothing unusual in the records that they checked.

All interviewees reported that they can easily obtain unpaid leave for family functions and in case of emergency. Testimony on paid annual leave was varied. Permanent workers who were working in the HS Exports' main factory said they get between 15–20 days paid leave per year. Temporary workers said they do not receive any paid leave. This also applied to casual workers who – by definition – get no paid leave.

Some interviewees reported no bonus at all whereas other interviewees' reported a bonus of 2000–5000 Rs (25,7–64,3 euros) for Diwali festival (but no other bonus). This indicates annual bonuses below the legal limit. According to the Payment of Bonus Act, the employer must pay the employees an annual bonus which should be at least 8,33% of their annual wage (and up to 20% of their annual wage). The annual bonus is often paid around Diwali festival.

As part of their response to Finnwatch and Cividep's field research findings, both Wheslyn Group and HS Exports sent Finnwatch copies of HS Exports' bonus payment records for 2017 and 2018. The records showed bonus payments for permanent workers that appeared to be in line with the legal requirements and that had been countersigned by workers.

CONCERNS ABOUT HEALTH AND SAFETY

All interviewees said there is drinking water and toilets available at the factory. Some interviewees, however, said that some supervisors are very strict about timekeeping during toilet breaks.

Interviewees did not report major accidents at workplace. They were only aware of some

minor cuts and bruises for which they said there were First Aid kits available.

Although during the Cividep researchers' on-site visit, all workers in the HS Exports main factory were observed to be either carrying or wearing masks, the information obtained from off-site interviews indicates that workers do not normally wear PPE and that they work with their bare hands.

During the on-site visit, it was also observed that the HS Exports factory is well-ventilated and well-lit but observations made during off-site visits indicate that the workshops, especially those that are underground, are not well-lit or well-ventilated.

According to interviewees, they use several chemicals in the course of work but mostly in workshops and not at the HS Exports factory. These chemicals are different glues, thinners, polishing materials etc. but the interviewees did not know the names of the active ingredients in them. Some complained about pungent smells and burning sensations when breathing.

According to Wheslyn Group, in its Supplier Code of Conduct it is specified that safe working conditions and a healthy working environment should be ensured for all workers.

NO TRADE UNION; ALLEGATIONS OF FEAR-MONGERING

There is neither a trade union nor workers' committee at HS Exports. In case of grievances, employees talk to the supervisors. According to one casual, piece-rate labourer *"The rule is simple, all those who have issues with the company should quit the job."* According to several others, fear-mongering is deployed to prevent workers from raising issues. Workers are also discouraged from talking to outsiders, and report being under supervision on the grounds of protecting factory designs from theft.

According to Wheslyn Group, freedom of association is covered in its Supplier Code of Conduct.

5. Vallila Interior

Oy Vallila Interior Ab (previously Suomen Silkkituote Oy) was set up in 1935¹³⁰. The company is headquartered in Helsinki, Finland. In 2017, its turnover was more than 38 million euros and the company employed 115 people¹³¹. The Vallila Group comprises the parent company Vallila Interior and its two subsidiaries – Vallila Collection (textile design, imports, wholesale and retail) and Vallila Contract (interior design, imports and contract sectors).

Vallila Collection produces two collections per year. Each collection comprises over 100 designs and over 1 000 product designations – home textiles, interior accessories and rugs. Although the company set out as a weaving mill, weaving machines in its headquarters have since been replaced by design studios and most of its product manufacturing outsourced abroad. Nowadays, Vallila Collection's curtains and fabrics are woven and printed in Turkey and its rugs are mostly sourced from Egypt and Belgium. Only some of its wallpapers are made in Finland. Since 2016, Vallila Collection has made public the list of its consumer goods suppliers from whom it makes purchases worth in total a minimum of 50 000 euros per year.¹³²

Vallila Collection has three major suppliers in India. One of them is R.K. Exports. According to Indian customs' statistics, R.K. Exports has shipped goods worth more than USD 126,000 in total to Vallila Collection during the last six months of 2017, and worth more than 94 000 USD in total to Vallila during the first six months of 2018. These shipments included products in Hiutale, Varvikko and Bulevardi product ranges in 2017 and in Kerttu, Nummi, Helka and Tammenterho product ranges in 2018.¹³³

According to Vallila, its purchases from R.K. Exports were 1.3% of its total purchases in 2018 and 2.4% in 2017. R.K. Exports has

signed Vallila Code of Conduct¹³⁴ and is SA8000 certified¹³⁵ (and also OekoTex certified¹³⁶) and therefore, meets Vallila's supplier criteria.

CSR IN VALLILA GROUP

Vallila made a decision in 2017 to start developing its corporate social responsibility work. Its processes for managing sustainability are still a work-in-progress. Key aspects of this work are responsible sourcing and reporting. The company published its first sustainability report in 2017. Of Vallila Collection suppliers, 88% have signed the company's Code of Conduct; 100% coverage is expected by 2020. These figures apply to risk-country based suppliers from whom the company makes purchases worth a minimum of 50 000 euros per year in total.¹³⁷

According to the company, it requires its new risk-country based suppliers to have passed a social sustainability audit, such as Amfori BSCI or Sedex/Smeta audit¹³⁸, or to be SA8000 certified. Existing major suppliers are also expected to fulfill this requirement, and currently over 90% of Vallila Collection purchases are made from suppliers who do

130 Vallila, Historia, <https://www.vallilainterior.fi/pages/historia>

131 Kauppalehti, Yrityshaku, <https://www.kauppalehti.fi/yritykset/yrityshaku>

132 Vallila Vastuullisuusraportti 2018

133 Indian export data obtained through Volza

134 Vallila Code of Conduct is available at <https://www.vallilainterior.com/pages/vallila-code-of-conduct>

135 SA8000 is a social certification standard for factories and organisations across the globe. For more information see for example, Finnwatch, Perspectives on the quality of social responsibility monitoring schemes

136 Oeko-tex is a certification scheme for human-ecological safety of textile products and leather articles, for more information see <https://www.oeko-tex.com>

137 Vallila, Vastuullisuusraportti 2018 and Vallila Interior statement in response to Finnwatch, 8.2.2019

138 Sedex is essentially an information sharing platform between its members – buyers, suppliers and auditors. Typically, the information shared on the Sedex platform is an audit report. Sedex does not control the quality of audits and accepts first-party audits (internal audits, i.e. audits by audited organisation itself), second-party audits (audits taken on behalf of a buyer) and third-party audits (audits taken by an independent certification body or similar third-party organisation – e.g. Amfori BSCI, SA8000 etc). In other words, audit data in the Sedex database is not always controlled for quality. Sedex has also created an audit methodology, SMETA, that can be applied by its members to audits. According to Sedex, almost 80 percent of audit reports in Sedex database are SMETA audits. For more information see <https://www.sedexglobal.com/>



R.K. Exports factory in Karur, Tamil Nadu. The picture was taken in October 2018.

already comply¹³⁹. Vallila, however, is not a member of Amfori BSCI. This means that the company is not contributing to the costs of the Amfori BSCI programme nor to its development. During dialogue in the lead up to the publication of this report, Vallila began the process to join Amfori BSCI¹⁴⁰.

In 2018, Vallila joined the Better Cotton Initiative BCI¹⁴¹. According to the company, it is currently making changes to its internal processes to enable purchasing of cotton as Better Cotton. It aims to source at least half of the cotton it uses as Better Cotton by 2020.¹⁴²

R.K. EXPORTS

R.K. Exports was established in 1985. The company produces fabrics and home textiles, mostly from cotton but also from other materials such as linen, polyester and viscose. According to the company, they use only Indian-sourced cotton, including (but

not exclusively) certified organic, BCI and Fairtrade¹⁴³ cotton.

The company is located in the city of Karur in Tamil Nadu state, where it has two branches, both of which are engaged in the manufacture of fabrics and home textiles. Both branches are SA8000 certified. R.K. Exports employs some 400–500 people, of whom 58% are women.¹⁴⁴

The production process at R.K. Exports is as follows: receipt of yarn, weaving, receipt of fabric, cutting, stitching, checking, trimming, ironing and despatch. The company outsources functions such as dyeing and printing, and security services.

The R.K. Exports product range includes table linen, kitchen linen, bed linen, living linen, throws, rugs and bags. The company's clients are based all around the world with its major clients being based in South Africa, Germany, Sweden, UK, USA, Japan, Finland, France and Indonesia.

¹³⁹ Vallila Interior statement in response to Finnwatch, 8.2.2019

¹⁴⁰ Vallila, Henry Ahlavo, telephone conversation 29th March 2019

¹⁴¹ Better Cotton Initiative was established by companies and NGOs to improve the environmental and social responsibility of cotton. Both production companies and cooperatives are being audited against the BCI standard. For more information see for example, Finnwatch, Perspectives on the quality of social responsibility monitoring schemes

¹⁴² Vallila Interior statement in response to Finnwatch, 8.2.2019

¹⁴³ Fairtrade, which is owned by producer communities and national labelling organisations, was created to improve the status of small farmers and workers at large farms in developing countries in international trade. Fairtrade certification requires the payment of a minimum price to producers as well as a separate Fairtrade premium intended for social projects and projects to develop production. For more information see for example, Finnwatch, Perspectives on the quality of social responsibility monitoring schemes

¹⁴⁴ R.K. Exports representative, email on 31st January 2019

Textile and garment industry in India

India's textile and garment industry can be roughly divided into two segments: yarn and fibre, and processed fabrics and clothing. In the financial year 2017–18, the sector contributed 7% of India's industrial output in terms of value, 2% of GDP, and more than 15% of its export earnings¹⁴⁵. Like the leather industry, India's textile and garments industry also benefits from a large raw material base. India is, for example, the largest producer of cotton and jute in the world, and the second largest producer of silk.¹⁴⁶

India's textile and garment sector is one of the oldest industries in Indian economy dating back several centuries. The industry is characterised by declining, concentrated composite mill¹⁴⁷ segment; fragmented, small scale and labour-intensive spinning mill, fabric manufacturing and finishing segments, and similarly fragmented and also predominantly small-scale garment manufacturing sector¹⁴⁸. Similarly to the leather sector, the prevalence of small-scale enterprises can be attributed to the reservation policy which was in force until 2001 for woven apparels and until 2005 for knitwear.¹⁴⁹ Such market structure encourages sub-contracting, and sub-contracting encourages non-regular forms of work.

With more than 45 million direct employees (and another 60 million employees in the allied sectors¹⁵⁰), textile and garment sector is one of the largest sources of employment in India,

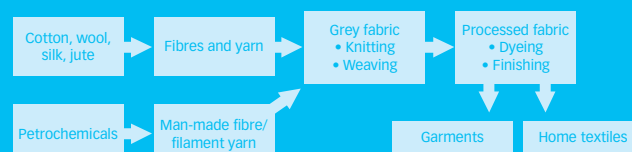
according to India's Ministry of Textiles. In addition, the production of cotton alone provides livelihood for nearly 6 million farmers and between 40–50 million workers are engaged in cotton processing and trading.¹⁵¹

Garment sector workers have been recognised as "informal workers in the formal sector". Around 60% of the workforce the sector is casual and contract workers. They include home-based workers, daily workers and contractual labour in small production units.¹⁵²

Some 70% of the workforce in textile and garment sector are women¹⁵³. However, in the organised sector the percentage of women is extremely low, with the exception of garment manufacturing¹⁵⁴. This means that more women are employed in the small units in the unorganised sector, and engaged in home-based work. The majority of the workers in the textile and garment sectors have low levels of education¹⁵⁵.

The southern state of Tamil Nadu, a major textile and garment sector hub, employs 28% of the total workforce in textile and garment sector in India. Other sector hubs include West Bengal (11%), Karnataka (11%), Gujarat (10%) and Maharashtra (8%).¹⁵⁶

Typical textile and garment supply chain



<https://www.nqr.gov.in/sites/default/files/Skill%20Gap%20Analysis%20Report.pdf>

145 Government of India, Ministry of Textiles, Annual Report 2017-18, <http://texmin.nic.in/sites/default/files/AnnualReport2017-18%28English%29.pdf>

146 Make in India, <http://www.makeinindia.com/sector/textiles-and-garments>; India Brand Equity Foundation, Textile Industry & Market Growth in India, <https://www.ibef.org/industry/textiles.aspx>

147 Composite mills integrate spinning, weaving, and sometimes dyeing and fabric finishing.

148 For example, most (80%) apparel manufacturers in India were small operations (with less than 20 sewing machines). For more information see, National Skill Development Corporation, Human Resource and Skill Requirements in the Textile Sector (2022) – A Report, available at <https://www.nqr.gov.in/sites/default/files/Skill%20Gap%20Analysis%20Report.pdf>

149 National Skill Development Corporation, Human Resource and Skill Requirements in the Textile Sector (2022) – A Report

150 Allied sectors would include cotton growing, ginning, pressing, trade, textile machinery industry and accessories, for more information see http://shodhganga.inflibnet.ac.in/bitstream/10603/72460/14/14_chapter%204.pdf

151 Government of India, Ministry of Textiles, Annual Report 2017-18

152 Action Aid, India's Labour Law Changes

153 Government of India, Ministry of Textiles, Annual Report 2017-18

154 National Skill Development Corporation, Human Resource and Skill Requirements in the Textile Sector (2022) – A Report

155 National Skill Development Corporation, Human Resource and Skill Requirements in the Textile Sector (2022) – A Report

156 National Skill Development Corporation, Human Resource and Skill Requirements in the Textile Sector (2022) – A Report

METHODOLOGY

For the purpose of this report, 20 R.K. Exports workers were interviewed between July and November 2018. In addition, a focus group discussion was conducted with 9 workers (selected from among the total sample of 20). The interviews were conducted in Tamil which is the workers' mother tongue. Other key informants, such as local NGO and trade union representatives were also interviewed, and samples of workers appointment letters and payslips were collected.

R.K. Exports workers who were interviewed for this study were aged between 29–46 years. 13 of them were female and 7 were male. Most had completed secondary education. All interviewees were married and had children, and they all belonged to Scheduled Caste. Their jobs at R.K. Exports included tailoring, trimming, checking, packing and cutting. Of the interviewees, 13 were permanent and 7 were temporary (see page 23).

All interviewees had been employed at R.K. Exports between six months and four years. Most of them had been recruited to R.K. Exports following a visit by the company's human resources team to their native villages. The human resources team visited the villages approximately three years ago; gradually more and more people from the villages have joined R.K. Exports.

According to the interviewees, R.K. Exports also employs contract labour. Although attempts to identify contract workers were made, it was not possible to interview contract labour for this study.

Finnwatch and Cividep chose R.K. Exports as an area of study from Vallila's public list of suppliers. Both companies were contacted for the first time when they were sent the field research findings for comment. The responses of both companies are incorporated below where relevant.

As R.K. Exports is SA8000 certified, the field research findings were also shared with Social Accountability International SAI which owns the SA8000 Standard. SAI shared the findings also with the certification body that last audited R.K. Exports, TÜV Nord, and the

responses of both SAI¹⁵⁷ and the certification body¹⁵⁸ are also incorporated below where relevant. R.K. Exports also shared with Finnwatch a copy of their latest SA8000 follow-up audit report (but not the full, certification audit report).

SAI in their response noted that third-party investigations such as the research conducted by Finnwatch and Cividep play an important role in supplementing the regular audit process. Although the issues described in the draft report shared with SAI had not been observed during audits conducted thus far, they would be subject to a further investigation, including an unannounced audit. By the time of publication of this report, the ongoing further investigation had not been able to corroborate any of the Finnwatch and Cividep findings¹⁵⁹.

Furthermore, SAI noted that they are aware that there are many systemic social compliance challenges facing companies and auditors in India. In response to these challenges, SAI and its accreditation arm, SAAS, have developed a supplementary oversight programme involving local and regional stakeholders that launched in February 2019. Through this programme SAI seeks to better understand the nature and severity of the challenges facing companies and auditors in order to strengthen their systems and improve outcomes for workers. This supplementary oversight programme is aimed at further improving the reliability of SA8000 certification in India.

ILLEGALLY LOW WAGES?

In April 2018–March 2019, the minimum wage for the tailoring industry in municipalities, like Karur, in Tamil Nadu, was 316,65 Rs (3,5 euros) per day for helpers and trimmers, and 324,85–336,31 Rs (4,1–4,3 euros) for tailors, checkers, and cutters¹⁶⁰. These translate to

157 SAI, Rochelle Zaid, email on 29th January 2019

158 TÜV Nord, Martin Saalman, email on 31st January 2019

159 SAI, Rochelle Zaid, email on 22nd March 2019; TÜV Nord, Martin Saalman, email on 22nd March 2019

160 Tamil Nadu Government, Minimum Wages Act, 1948 – Revision of minimum rates of wages for

monthly¹⁶¹ wages of 8232,9 Rs (105,9 euros) and 8446,1–8744,06 Rs (108,6–112,4 euros), respectively. Minimum wages comprise a basic wage and dearness allowance, a cost of living adjustment allowance to mitigate the impact of inflation.

R.K. Exports workers who were interviewed for this report, reported earnings of between approximately 5000–9000 Rs (64,3–115,7 euros) gross per month, without overtime across designations. This means that the workers' daily wages, based on their testimony, are between 192–346 Rs (2,5–4,5 euros). Only one of the interviewed workers reported earnings at the level of or higher than the tailoring industry minimum wage.

In addition to workers' testimony on wages, copies of workers' payslips were also collected during the research. Only permanent workers whose salaries are paid to their bank account said they received payslips. The payslips of which Finnwatch and Cividep have copies of show daily wages of between 203–228 Rs (2,6–2,9 euros) for helpers and trimmers, and daily wages of 304 Rs (3,9 euros) and fixed monthly salaries of between 5015–7500 Rs (64,5–96,5 euros) for checkers. These wages too then, are below the legal tailoring industry minimum wage.

Furthermore, none of these workers had actually worked on every working day of the month and they had been compensated for between 18 and 22 days only. As such, their monthly earnings were between 4050–5625 Rs (52,1–72,4 euro).

Workers who were interviewed for this report were not aware of applicable minimum wage rates. Based on the research sample, no significant difference between the wages paid for temporary and permanent staff could be detected.

The tailoring industry minimum wages were last revised in 2014, and they are stipulated in a government order. In response to

employment in tailoring industry, G.O. (2D) No. 59, 10.10.2014. See also Office of Commissioner of Labour, Chennai, Statement showing details of dearness allowance payable with effect from 01/04/2018, 16.3.2018

¹⁶¹ Calculating 26 working days per month.

Finnwatch and Cividep research findings of illegally low wages, R.K. Exports said that the applicability of the Tamil Nadu government stipulated tailoring industry minimum wages have been contested in court by the Karur home textile industry. The industry is asking to be classified as a separate industry with its own minimum wages, and the Tamil Nadu government is currently working on this. As such, R.K. Exports and other companies have been advised by their legal counsel to follow minimum wage rates prior to the 2014 revision, but adjusted against inflation.¹⁶² Indeed, the R.K. Exports' workers' payslips that Finnwatch and Cividep have copies of show that R.K. Exports is paying workers dearness allowance in accordance with Tamil Nadu government stipulated rates (3105 Rs, or 39,9 euro, in 2018) but basic wages below the minimum wages for tailoring industry as per the 2014 government order. The basic wage rates recorded in the workers' payslips were 2195–2510 Rs (28,3–32,3 euros) for helpers and trimmers and 4395 Rs (56,6 euros) for checkers. The government stipulated tailoring industry basic wages for corresponding designations are 5128 Rs (66 euros) and 5511–5639 Rs (70,9–72,6 euros), respectively.

A Tamil Nadu government representative from the Labour Department, however, confirmed to Finnwatch and Cividep that home textiles has not yet been classified into a separate industry and hence home textile manufacturers should currently continue paying minimum wages stipulated for the tailoring industry in 2014¹⁶³. R.K. Exports further disagreed with this, suggesting that Finnwatch and Cividep had spoken to the wrong authority¹⁶⁴. Finnwatch and Cividep tried multiple sources to verify the minimum wages and in good faith conclude that the home textile industry should have been, at least at the time of field research, following the tailoring industry minimum wages.

¹⁶² R.K. Exports representative, email on 25th and 28th March 2019

¹⁶³ Private correspondence between Cividep and Superintendent at the Labour Department, Karur, 27th March 2019.

¹⁶⁴ R.K. Exports representative, email on 29th March 2019

Dispute over minimum wage rates¹⁶⁵

The Tamil Nadu government has fixed minimum wages for tailoring industry since 1981. These minimum wage rates have since been revised in 1986, 1994, 2004 and 2014. All revisions have been challenged by the industry in courts and every time, courts have upheld the validity of government stipulated minimum wages.

Up until 2014, many export companies have claimed to be paying tailoring industry minimum wage¹⁶⁶. Since then, companies have, in addition to prolonged legal battles, begun to utilise an existing loophole and switched to minimum wages for hosiery industry which are lower than the tailoring industry minimum wages and lower than the wages agreed through tripartite/bipartite process across all job categories, and even lower than the prevailing wages in some job categories¹⁶⁷. Tamil Nadu government has stipulated minimum wages for hosiery industry since 1960 but these wage rates have not been

comprehensively revised until in 2016, suggesting that for a long time, they had lost their relevance.

Neither tailoring nor hosiery¹⁶⁸ industry are defined anywhere in India's laws or regulations on minimum wages. It is unclear why these two industries are considered as separate industries by the Tamil Nadu government when it comes to minimum wages. However, in 2018 Tamil Nadu government clarified that their position is that hosiery includes knitwear manufacture¹⁶⁹. According to unions, the classification of the two as separate industries is arbitrary.

It should also be noted that tailoring industry minimum wages, hosiery industry minimum wages as well as the wages in the tripartite/bipartite wage agreement are all, for all job categories, significantly lower than applicable estimates for a living wage.

SAI in their response said that they are aware of disputes over minimum wages in Tamil Nadu and that they are currently working to create guidance on the issue for SA8000 certified factories in the region. SAI further noted that payment of a living wage has always been the intent in the SA8000 Standard and that the legal situation in Tamil Nadu has created confusion on this point that SAI plans to clarify in the immediate future.¹⁷⁰

165 For more information see SAVE, Towards a Living Wage: A study of the minimum wages struggle of workers in Tiruppur's garment sector

166 This means, that tailoring industry minimum wages have been included in official records, even though in many cases, workers have actually been paid less. Official records have, however, been shown to buyers, auditors, and labour inspectors when requested.

167 In addition to legal minimum wages, there is also a tripartite agreement on wages for the textile, garment and hosiery industry in Tiruppur. Following the 2014 revision of legal minimum wages, the minimum wages for the unskilled jobs in tailoring industry are now for the first time higher than the wages in the tripartite agreement. Having revised the minimum wages, the government no longer participates in the tripartite wage negotiations, and the last wage agreement was negotiated between unions and employers only. The tripartite wage agreement was first negotiated in the 1990 and the last, bipartite, revision took effect in 2016. The agreement is valid for four years.

168 Hosiery means "stockings, socks and tights collectively" or "knitted underwear". Chambers Dictionary

169 Tamil Nadu Government, Minimum Wages Act, 1948 – Revision of minimum rates of wages for employment in hosiery manufacture – Amendment orders issued, G.O. (2D) No.11, 6.2.2018

170 SAI, Rochelle Zaid, email on 22nd March 2019

However, following the publication of this report, R.K. Exports provided Finnwatch and Cividep with documentation according to which the members of the Karur Textile Manufacturing and Export Association, including R.K. Exports, have a valid interim stay order¹⁷¹. This means that while the

industry's petition regarding the applicability of the tailoring industry minimum wages to the home textile industry is pending disposal, home textile manufacturers do not have to adhere to the 2014 tailoring industry minimum wages. According to R.K. Exports, their petition is expected to be disposed following the establishment of the home textile industry minimum wages by the tripartite

171 R.K. Exports representative, email on 6th April 2019

process led by the Tamil Nadu government. It should be noted that the interim stay order does not specify, which wages the industry should be paying instead of the 2014 tailoring industry minimum wages. Prior to 2014, the tailoring industry minimum wages were last revised in 2004. Some of the many ongoing legal disputes about applicability of minimum wages and wage rates involving various actors of Tamil Nadu's garment and textile industry are introduced briefly on page 33.

The certification body TÜV Nord (i.e. the auditing firm which had conducted the SA8000 audit to R.K. Exports) in their response cited even lower minimum wages than the company itself. The certification body cited minimum wages of 189 Rs (2,4 euros) per day, or 4930 Rs (63,4 euros) per month, inclusive of both basic wage and dearness allowance. It is unclear what the basis for these figures is.

Here it should be noted that already in 2016, a high court upheld the validity of Tamil Nadu government stipulated tailoring industry minimum wages and also, acknowledging the long history of non-payment of minimum wages in the garment sector, ordered that garment sector workers could claim wage arrears going back to 2014 with interest. Many companies have, however, to date refused to increase workers' wages or pay back arrears and some have appealed against the high court ruling.¹⁷² Karur Textile Manufacturing and Export Association petition was initially grouped with a number of other petitions to the 2016 high court hearing. Following the publication of this report, R.K. Exports provided Finnwatch and Cividep with documentation showing that the home textile industry's petition has been delinked from the Madras High Court's ruling¹⁷³.

172 Thomson Reuters Foundation, 17th July 2017, Tamil Nadu's low-paid garment workers seek \$7.6 million compensation, <https://in.reuters.com/article/india-textiles-wages/tamil-nadus-low-paid-garment-workers-seek-7-6-million-compensation-idINKBN1A2003> (accessed on 14.3.2019). See also SAVE, Towards a Living Wage: A study of the minimum wages struggle of workers in Tiruppur's garment sector

173 R.K. Exports representative, email on 6th April 2019

The wages paid to the R.K. Exports workers are not sufficient to cover workers' basic needs. Of all 20 interviewees, 17 reported having taken loans to pay for personal expenses (e.g. for medical care in case of critical illness, cultural events or family functions, or for buying cattle) that they are paying off monthly. Sixteen interviewees mentioned that they have no savings at all after having worked for years in the textile industry in Karur. The four interviewees who said they have savings, were able to put aside only 200 Rs (2,6 euros) a month or contributed small amounts to chit funds¹⁷⁴.

According to R.K. Exports, they give training to their workers on the importance of savings, maintaining emergency funds, having a health insurance and investing for retirement. Finnwatch and Cividep would, however, like to note that the workers lack of savings cannot necessarily be attributed to the workers lack of awareness but their meagre earnings to begin with. According to TÜV Nord, workers are paid a living wage. The certification body did not back this bold claim up with any living wage calculation but merely stated that family functions such as marriage, for example, are "beyond a living wage". This statement is contrary to the definition of a living wage¹⁷⁵.

174 Chit funds are rotating savings and credit schemes, common in India. They are often informal and organised between friends, relatives or neighbours.

175 See page 11 for a definition of a living wage. See also for example Global Living Wage Coalition, Living Wage Report for Urban Tiruppur, Tamil Nadu, India, pp.17-18: "Required living costs were estimated by summing up separate estimates of cost for a low cost nutritious diet, basic decent healthy housing, education of children through secondary school, decent health care, transportation, and all other necessary expenses such as for clothing, furniture, recreation, personal care, etc. A small margin above this total cost of a basic but decent lifestyle was then added to help provide for unforeseen events such as illnesses and accidents or special occasions like marriage or travelling to other places to attend some family ceremony that demand considerable expenditure to help ensure that common unplanned events do not easily throw workers into debt and possibly perpetual poverty."



Products in Vallila's Kerttu range such as oven mittens and pot holders are made by R.K. Exports.

EXCESSIVE OVERTIME DURING PRODUCTION PEAKS WITHOUT OVERTIME PAY

R.K. Exports mostly operates in one general shift from 9.30am to 6.30pm, and only the weaving department operates 24-hours in three shifts. During the day, workers get a 30-minute break for lunch, and two tea breaks of 15 minutes each (total 1 hr). Previously workers were allowed longer breaks in total but according to R.K. Exports, this was changed last year in order to improve effectiveness¹⁷⁶. It is understood that workers have not been compensated for these cuts to their breaks in any way.

According to the interviewees, during production peak seasons there is overtime available approximately every other day for four hours from 7–11pm. Such overtime hours are illegally high: the legal limit for daily overtime stipulated in the Factories Act is two hours following an 8-hour working day; or a maximum of ten working hours per day,

spread over a maximum of 12 hours, inclusive of overtime.

The interviewees said that they get a 30-minute break from 6.30–7pm before overtime begins and a dinner comprising three parotas (bread made with white flour) and curry. Providing food or snacks for workers who work overtime is not a legal requirement but a common practice across India. According to the interviewees, R.K Exports deducts 30 Rs (0,4 euro) from their overtime pay per dinner.

According to all interviewees, overtime at R.K. Exports is voluntary. The workers accept long overtime hours because they want to earn more than their normal salaries. However, according to them, overtime is compensated at the same rate as regular working hours. This too, is against the law as by law, overtime hours should be compensated at twice the normal rate. Although the interviewees were aware that they should be paid double rates for overtime, they said they were too scared to raise the issue with factory management.

According to the interviewees, overtime compensation is paid to them in cash every week

¹⁷⁶ Workers appointment letters also stipulate one hour lunch break and two 10-minute tea breaks.

or once in every 15 days, separately from their monthly salaries, and it is not included in the workers' payslips. Indeed, R.K. Exports' workers payslips that Finnwatch and Cividep have seen do not even have a field for overtime.

In their response, R.K. Exports claimed to have in place a no-overtime policy, verified during both certification and buyer audits. This was also confirmed TÜV Nord in their written response to Finnwatch and Cividep¹⁷⁷. This is clearly in stark contrast with information obtained through worker interviews for this report. It should also be noted, that when overtime pay is handled in cash, it can easily be missed during audits. It is also common in the textile and garment industry to tutor workers before audits. Such tutoring may include instructions not to disclose any information on overtime or non-payment of overtime rates.

The workers' testimonies were corroborated by their neighbours who confirmed that during production peak seasons, workers reach home after work at around 1am. R.K. Exports arranges for transportation to and from work for their workers free of charge. On a normal working day, the bus picks employees up at around 8am and drops them off at around 9.30pm. After overtime, the bus drops them off at around 1am. For those workers who do not work overtime, transportation back home is arranged at normal hours. According to R.K. Exports, workers are dropped home late only when one of their buses is out of service for maintenance or for some other reason. TÜV Nord in their response speculated that workers' late return hours were probably due to distance and heavy traffic.

¹⁷⁷ TÜV Nord further stated, that during further investigation prior to the publication of this report, no overtime was also confirmed by means of confidential interviews with workers, check of production records and orders compared to machinery and workers employed and visits during evening and night times of the factory. TÜV Nord, Martin Saalman, email on 22nd March 2019. Finnwatch and Cividep note that the organisations' findings of excessive overtime pertains to production peaks only and that it is possible that the further investigation did not coincide with such peak.

Furthermore, those workers who were interviewed for this study in the run-up to Diwali festival (in 2018, the festival was held on 5th–9th November) said that they had been working for three Sundays in a row, in other words – without a weekly rest day for three weeks. For Sunday work, workers should be given a compensatory day off in the following three days in line with the Factories Act. Outside peak seasons, Sunday work is rare according to the interviewees.

In their response, R.K. Exports refuted this, saying that normally only the loom section is in operation on Sundays and that although in the run-up to the Diwali in 2018, they did install a new production line to the factory, normal production work was not carried out during this time. Finnwatch and Cividep would like to note that none of the workers who in the interviews said that they had worked on Sundays was working in the loom section but at other functions such as cutting, trimming, checking and packing.

STATUTORY BENEFITS ARE GENERALLY RESPECTED BUT AWARENESS OF MATERNITY BENEFITS IS LOW

Social security fees – Provident Fund (PF, pensions) and Employee State Insurance (ESI, social security and health insurance scheme) – are deducted from workers' salaries. Workers' individual references numbers for these schemes are recorded in their payslips indicating that they are properly connected to the schemes. Interviewed workers also testified to be regularly using ESI hospitals.

Interviewed workers reported no irregularities in terms of annual leave. If workers do not take their earned leave, they are compensated for untaken leave, usually in January. Workers also said that they can take 1,5 days off as sick leave per month against a medical certificate.

The interviewees also reported no irregularities in the payment of the annual bonus although of course, if workers are paid less than the minimum wage (see pages 31–34), then it can be argued that a percentage of their annual salary is also less than what they

should be paid. According to the Payment of Bonus Act, employer must pay the employees an annual bonus which should be at least 8,33% of their annual wage, and at most, 20% of their annual wage. At R.K. Exports, bonuses are paid usually during Diwali.

None of the interviewees was, however, aware of their statutory right to a 26-week¹⁷⁸ paid maternity leave. According to the interviewees, women workers who are pregnant quit their jobs when the time they are due to give birth approaches, and they might rejoin R.K. Exports (or another company) 1 or 1,5 years later (or stay at home to take care of the baby). This was also confirmed by R.K. Exports in their response. According to R.K. Exports, workers who are pregnant simply drop out, most likely because it becomes difficult for them to travel long distances to and from work. Further, R.K. Exports stated that the company grants workers statutory maternity benefits, including maternity leave, and according to TÜV Nord, workers have during audits been confirmed to be aware of their right to a six-month paid maternity leave.

TEMPORARY WORKERS HAVE LITTLE POSSIBILITIES TO CLAIM RIGHTS

Although according to R.K. Exports, all their workers are given an appointment letter, only seven of the 20 interviewees confirmed they themselves had been given an appointment letter. In response to this, R.K. Exports speculated that those workers who in interviews had said that they did not have appointment letters were perhaps trainees. However, those who said they did not have an appointment letter were all permanent and temporary workers.

Although a written employment contract is not a legal requirement in India (contracts can be communicated orally as well), written employment contracts are recommended good practice and a standard requirement

¹⁷⁸ In India, maternity leave used to be three months but an amendment to the law was passed in 2017, extending paid maternity leave to 26 weeks for all women working in companies with more than 10 staff.

Workers also listed positive things

In the focus group interview, workers mentioned as positive things about R.K. Exports the following:

- transportation to and from work is provided free of charge
- drinking water is provided and toilets are clean
- workers are given lunch and tea breaks
- workers can obtain a permission to leave factory premises during working hours for personal errands
- salary advance is granted upon request
- salaries are paid regularly
- workers are not pressured at work (to meet quotas or otherwise)
- workers are linked to social security schemes
- annual bonuses are paid regularly
- untaken annual leave is compensated in lieu.

Of the above, drinking water, clean toilets, breaks during a working day, regular payment of salaries and annual bonus, social security, and payment in lieu of untaken annual leave are all workers' statutory rights.

The workers appeared in particular to like the free transportation to and from work. Some of the interviewees said that they used to earn more in their previous jobs as contract labourers in other textile factories. The main reason why they had joined and stayed with R.K. Exports was the free transportation. The workers native villages are remote, and public transport to Karur is relatively expensive and inconvenient.

in many international social responsibility schemes. R.K. Exports workers' appointment letters that Finnwatch and Cividep have copies of are in both English and Tamil.

According to interviewees, workers on temporary contracts are normally made permanent after six months to one year of employment although there were exceptions to this general rule also within the interviewee sample. In their response, R.K. Exports said that they do not have any temporary workers and that all their workers are engaged on permanent contracts or as trainees. The company takes in new workers as trainees who after a while are absorbed as permanent workers. TÜV Nord also stated in their response that temporary workers have not been identified during audits¹⁷⁹.

According to the interviewees, temporary workers are also not given pay slips. Without an employment contract, appointment letter, payslips or bank transfer receipts, it is nearly impossible for temporary workers to prove employment relationship should it become necessary (for example, in case of non-payment of dues or illegal termination, and should the employer contest workers' account, or in case of medical care and compensation for workplace accidents).

NO DISCRIMINATION BUT SOME UNEQUAL TREATMENT

According to all interviewees, there is no discrimination at R.K. Exports on the basis of caste or gender or any other reason.

The interviewees, however, reported strong favouritism in obtaining permission to leave factory premises during a working day to run personal errands. If workers want to leave the factory premises during a working day, they must obtain permission and a pass to be allowed in and out factory gates. According to the workers, permission is sometimes difficult to get. According to R.K. Exports, all workers are able to obtain permission for

¹⁷⁹ TÜV Nord, Martin Saalman, email on 22nd March 2019

R.K. Exports is also a supplier to Granit

According to Indian customs statistics, R.K. Exports shipped goods worth more than USD 50,000 in total to Granit (Sweden) in October and November 2018. These shipments include products such as woven cushions and quilts.

After several attempts, Granit provided a brief response according to which R.K. Exports is a new supplier to them. According to Granit, before they placed orders with R.K. Exports they made sure that the company was SA8000 and IWAY certified (IWAY is Ikea's own responsibility programme¹⁸⁰). According to Granit, Finnwatch and Cividep field research findings contained new information in light of which they would pause planned orders until R.K. Exports had gotten back to them with an action plan for addressing the issues highlighted in the field research summary.¹⁸¹

Granit did not respond to Finnwatch and Cividep's further questions. Finnwatch and Cividep do not recommend any company to stop purchases from a supplier when allegations about misconduct arise; rather the two organisations recommend companies should take steps to prevent and mitigate further negative impacts and participate in remediation as appropriate.

two hours each month. Only requests that exceed the 2-hour limit per month may be refused. According to TÜV Nord, allegations of favouritism could not be confirmed during further investigation¹⁸².

CONCERNS ABOUT HEALTH AND SAFETY

According to the interviewees, production areas at R.K. Exports are well-lit and

¹⁸⁰ Indian export data obtained through Volza did not include information on any shipments from R.K. Exports to Ikea in Europe in the last one year.

¹⁸¹ Granit, Reine Walfridsson, email on 30th January 2019

¹⁸² TÜV Nord, Martin Saalman, email on 22nd March 2019

well-ventilated, apart from the checking department where there is no ventilation. This leads to stuffy and hot working conditions around noon and throughout the summer. In the checking department, workers share one stool between two workers. Throughout the factory despite ventilation, cotton dust makes breathing difficult at times. Only some of the interviewees mentioned having been given training on health and fire safety.

According to R.K. Exports, the checking area is located next to and has the same kind of ventilation as sewing lines. Workers are also provided with caps and masks to protect them from cotton dust, and encouraged to use them. R.K. Exports also stated that standing position is ergonomically recommended not only for those engaged in checking but also for sewers and tailors. As such, R.K. Exports has been training workers in the checking department to use alternate seats. Some workers mentioned during interviews that sometimes women workers faint at work due to being exhausted. This was acknowledged by R.K. Exports in their response. According to R.K. Exports, workers who have fainted have been taken to a hospital for treatment and that it has later been found out from the doctors, that the workers who had fainted had not been well when they reported to work and had skipped meals (as they had been fasting for religious reasons; TÜV Nord also suggested that workers might have been fasting because they had their periods as, according to TÜV Nord, many women in Southern India fast during their periods or for religious reasons¹⁸³), and were dehydrated. Previously, Finnwatch and Cividep have come across examples from other industries where workers have been able to rearrange their working hours to accommodate fasting for religious reasons. However, it should also be noted that workers are known to often compromise on nutritious food as a way to reduce expenses¹⁸⁴.

183 Whereas some women do eat lightly during periods, it is not in Cividep's view correct to say that it is common for South Indian women to fast during their periods.

184 For more information see, Cividep and Framtiden

According to the interviewees, if a worker gets ill or has an accident at work, they are taken to a private hospital for treatment. However, according to the workers, the cost of the treatment is later deducted from their salary which is illegal in India¹⁸⁵. R.K. Exports strongly refuted this finding in their comments, saying that the company covers all such medical expenses and that such medical fees are also recorded to a registry which is periodically checked by the company health and safety committee and during social audits. According to R.K. Exports, medical fees have been deducted from workers salaries only when workers have been hospitalised for prolonged illness and when they have requested a salary advance to cover further treatment. According to TÜV Nord, no medical fees are deducted from workers' salaries, only ESI contributions.

NO TRADE UNION, NO FUNCTIONING GRIEVANCE MECHANISM

According to both R.K. Exports and TÜV Nord, the factory has several committees, including health and safety committee, anti-sexual harassment committee, and workers welfare committee, in place. Workers who were interviewed for this report however, did not consider these committees to be representing workers' interests; instead they thought that the committees had been established only for "namesake" and that they were not independent.

When R.K. Exports workers have any grievances, they do not bring these to factory committees but take them up with their supervisors or the human resources department instead. According to the interviewees, the factory owner is present at the factory on most days and is also accessible to the workers. However, as mentioned, workers

i våre hender, 2015, 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, http://cividep.org/wp-content/uploads/2017/04/FIVH_CIVIDEP_Mind_the_gap_2015-20-ilovepdf-compressed-ilovepdf-compressed.pdf

185 Cashless treatment can be provided in ESI hospitals or private hospitals where the company has a (registered and approved) tie-up. Reimbursement by the company can be done, but certainly not from employees' salaries.

who were interviewed for this report testified being too scared to raise wage-related issues such as overtime pay with human resources or the company management.

During a focus group interview, workers also identified several other areas for improvement at R.K. Exports. In addition to low pay, overtime pay, Sunday work and other issues already discussed above, the workers in particular raised the need for a functioning creche and canteen that serves affordable or free food, and requested a nurse to be present at the factory at all times. By law, all factories that regularly employ more than 30 women must have a creche¹⁸⁶; all factories that employ more than 250 people must have a canteen¹⁸⁷; and all factories that employ more than 500 people must have a nurse¹⁸⁸. With 400–500 employees of whom majority are female, R.K. Exports meets or is close to meeting all these thresholds.

Finnwatch and Cividep have shared the full list of the workers' request with R.K. Exports and Vallila. According to R.K. Exports they have previously tried operating a canteen but it was discontinued as workers were not using it. R.K. Exports also said that the company has a creche but that they have never had workers bring their children to the creche as families preferred the grandparents taking care of their children. This sentiment was also echoed by TÜV Nord in their written response according to which it would be "beyond the culture of the South (India)" to keep children in a creche. R.K. Exports however also said that they will take these issues up in welfare committee meetings, and that they would be open to operating both a creche and a canteen if workers indeed needed it. In Finnwatch and Cividep's experience, a good quality creche, can significantly increase workers' use of the facility and also lessen attrition rates¹⁸⁹. In

many families, there is no one to take care of the children during working days and hence many women quit their jobs in order to take care of their children.

In ideal circumstances, issues related to pay and benefits and working conditions would be addressed through collective bargaining between a trade union and company management. At R.K. Exports there is no trade union. R.K. Exports workers' appointment letters include the following: "*you should not disclose any information about the company and its sister concern without prior permission from the management*" and "*you may be transferred from this company to its sister concern, branches, divisions, departments, factories, offices (existing & proposed) wherever it may be located if any necessity arises in the future*". According to R.K. Exports, this is standard language in appointment letters and is necessary in order to maintain confidentiality of customers and designs. However, in Finnwatch and Cividep's experience mid-level managers often lead workers to believe that blanket formulations such as those in R.K. Exports' appointment letters also apply to working conditions. Relocation clause is commonly used in India for union busting and can even be interpreted as a threat. Indeed, among R.K. Exports workers there was a strong sense of fear among the workers who were interviewed for this report. Some workers who were approached also denied interviews due to fear of possible repercussions.

186 Section 48 of the Factories Act, 1948, requires factories with more than 30 female workers to have a creche.

187 Section 46 of the Factories Act requires canteens to be maintained by the 'occupier' or employer.

188 Section 45 of the Factories Act deals with first-aid appliances.

189 See for example Cividep India, *Early Childhood Care in Bangalore's Garment Industry: A Multi-stakeholder*

Consultation, <http://www.cividep.org/2015/06/19/early-childhood-care-bangalores-garment-industry-multi-stakeholder-consultation/>

7. Conclusion

Finnwatch and Cividep research found multiple labour rights issues in Wheslyn Group and Vallila Interior's supply chains in India. These included payment of wages below the legal minimum, excessive working hours during production peaks, no overtime pay and, in the case of HS Exports, lack of social security and other benefits. Neither factory had a functioning trade union.

In the case of HS Exports, a supplier to Wheslyn Group, Finnwatch and Cividep suspect that the company is circumventing labour laws by subcontracting key stages of production to small nearby workshops which it however controls. This view is further supported by worker testimony and the initial denial by the company of any ownership, subcontracting or any other business relationship with the nearby workshops. Complex subcontracting and outsourcing arrangements such as those observed at HS Exports rarely add value to the production chain, however: casual, contractual and informal employment benefits employers who can thereby save on social security payments, other benefits and wages. For workers, such jobs are the opposite of decent work. At the very minimum, suffice it to say that HS Exports is in a position of considerable control over the nearby workshops where components for its products are made, and therefore it should use this position to influence working conditions in these workshops.

Both Wheslyn Group and Vallila Interior are SMEs¹⁹⁰. SMEs can cause, contribute and be linked to adverse human rights impacts just like large enterprises, and must exercise human rights due diligence. Although a company's size may impact the scale and complexity of its human rights due diligence processes, the company size is not the key determining factor when assessing what needs to be done. Indeed, it is more important to ensure that measures taken are commensurate with the severity and likelihood of the human rights risk a company is facing.

Often particularly challenging for SMEs are situations where they are required to use their leverage to try to influence their business relations. As noted in the OECD Due Diligence Guidance for Responsible Business Conduct¹⁹¹, SMEs can seek to overcome these challenges, for example, by robust prequalification processes whereby only suppliers that meet high thresholds of responsible business conduct are engaged, through contractual arrangements and collaboration. Vallila appears to already have robust prequalification requirements in place whereas Wheslyn Group is in the early stages of corporate social responsibility work. In light of this, Wheslyn Group's public communications about the company's sustainability are misleading to consumers.

Vallila requires its suppliers to be audited or certified by a third-party social sustainability monitoring or certification scheme such as Amfori BSCI or SA8000 audited. The company has also begun to pay attention to the sustainability of cotton used for its products and is preparing to start sourcing BCI cotton. Third-party schemes are recommended good practice; however, problems in audit quality by such schemes have been reported a number of times and the schemes are at risk of losing their credibility if they do not take much more decisive action to address these issues. To be a driver for transformative change, schemes must also take a serious look at their criteria and how they define what are considered adequate terms and conditions of work for a production facility to be certified as sustainable. For example, R.K. Exports, a Vallila Collection supplier, was SA8000 certified even though it is paying extremely low, possibly even illegal wages to many of its workers.

In this transformative change, companies need to be active stakeholders and engage in the improvement of the social sustainability monitoring or certification schemes they use. A crucial area for improvement of many such schemes is engagement with local civil society organisations and trade unions.

190 In Finland, SMEs are defined as enterprises with fewer than 250 paid employees and whose annual turnover is either not more than EUR 50 million or balance sheet total is not more than EUR 43 million and which meet the criterion on independence.

191 For more information see <http://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

8. Recommendations

TO WHESLYN GROUP

- Wheslyn Group has a close relationship with its supplier HS Exports, and also appears to be in a position of some leverage *vis-a-vis* HS Exports. Wheslyn Group must use that leverage to try to prevent and mitigate labour rights violations in its supply chain in India, including by encouraging HS Exports to employ the necessary number of workers directly and in regular forms of employment.
- Wheslyn Group should also continue to develop its internal human rights due diligence processes, starting from comprehensive supply chain mapping and human rights risk assessment. These must be done in consultation with local civil society as far as possible in order to ensure that labour rights risks are adequately identified. The risk assessment must also include a review of the company's own purchasing practices to ensure they do not contribute to labour rights violations in its supply chains.
- The company should also review its communications on the sustainability of its products which appear inflated in places.
- The company should consider making public at least its most important suppliers. Published supplier lists improve transparency in supply chains, giving local organisations leverage in investigating and informing about abusive labour practices.
- In an effort to move towards paying their workers a living wage, companies can undertake living wage calculation exercises. Efforts should then be made to cover the gap at least in proportion to the percentage of total produce bought from the factory.

TO VALLILA INTERIOR

- Vallila should continue to develop its internal human rights due diligence processes, starting from comprehensive supply chain mapping and human rights risk assessment. These must be done in consultation with local civil society as far as possible in order to ensure that labour rights risks are adequately identified. The risk assessment must also include a review of the company's own purchasing practices to ensure they do not contribute to labour rights violations in its supply chains.
- In an effort to move towards paying their workers a living wage, companies can undertake living wage calculation exercises. Efforts should then be made to cover the gap at least in proportion to the percentage of total produce bought from the factory.
- Vallila should participate actively in developing the social responsibility monitoring schemes it uses.

TO SOCIAL ACCOUNTABILITY INTERNATIONAL

- SAI does not require off-site interviews with workers during audits. Off-site interviews with workers must be incorporated as a compulsory part in all audits, and auditors must, when necessary, be given training on how to interview workers. Where off-site interviews cannot be arranged, interviews must be conducted in conditions that guarantee confidentiality and anonymity.
- SAI should publish audit reports in so far as trade secrets and the privacy of workers and other interviewed individuals are not jeopardised. Increased transparency would make it easier for stakeholder groups to highlight any possible problems or weaknesses in the audits' methodology and quality. Published audit reports should include sufficient information on how the conformity with each criterion has been ascertained.

- SAI should conduct country and sector-specific risk analyses and use them to provide auditors with information on what probable problem areas audits should focus on. Audits could be further steered to focus on pertinent labour rights issues by requiring off-site interviews with workers, local civil society organisations or trade unions already during an audit's preparatory stage. When necessary, schemes should adjust their criteria or provide country or topic-specific interpretation guidance that match the problem areas observed in risk analyses.
- SAI should communicate more openly about the challenges they are facing in ensuring audit quality, and the actions taken to overcome these challenges.
- Audits seldom present a true picture of the factory at all times. SAI should also ensure that they have effective grievance mechanisms in place which allow workers in certified establishment to raise grievances outside periodic audits.

TO HS EXPORTS AND RK EXPORTS

- Both companies should increase transparency over their own operations, including their different units and subcontracting arrangements and the size of their labour force, and their supply chains.
- Both companies should address labour rights issues highlighted in this report, and devise an action plan of corrective and remedial actions.
- Both companies should seek to regularise workers who have been employed for a long time in non-regular forms of employment.
- Both companies should ensure at a minimum, the payment of minimum wages and overtime compensation in accordance with law.
- Both companies should allow local trade unions and representatives of local labour groups to have access to their workers. Factory management should not play an active role information of a workers union, but they should not repress organic efforts either. Where there is an external entity representing a significant number of workers, factories should agree to enter into collective bargaining agreements.

TO THE INDIAN GOVERNMENT

- The Union Government of India as well as state governments must move towards adopting legislatively the criteria for minimum wage spelt out by the tri-partite body, the Indian Labour Conference (ILC). Minimum wages should be sufficient to support a worker, spouse and at least two dependents. It must allow for the worker to take care of her basic needs (like health, education, nutritious food and decent living quarters), a reasonable amount of savings for future needs and recreation. It must be mandatory to revise this at regular and prudent intervals in keeping with inflation of consumer goods.
- The Government of India has ratified the ILO's Labour Inspection Convention, 1947 and it must seek to readopt its fundamental principles. Measures such as self-certification system, complaint-driven inspections, randomised inspections and prior authorised inspections might be in violation of the ILO's Convention No. 81. Labour Inspection system in India has been criticised for being rent seeking and inefficient. This is used as an excuse to introduce self-certification and other dilutions of the functions and powers of the labour inspectors. Experts have clearly pointed out the dangers of these measures of further driving down labour standards.

- The Government must seek to make uniform wages and work conditions between workers doing similar work. Workers who have been employed by a company for many years, however recruited, must be provided avenues by law to be regularised using suitable mechanisms. Law to restrict frequency of subsequent contracts need to be introduced.
- The Government must seek to bolster labour rights by granting legal recognition rights to trade unions as legitimate worker representatives. Indian government must take measures to ratify the ILO Convention on Freedom of Association and Protection of the Right to organise (No. 87) and Convention on Right to Organise and Collective Bargaining (No. 98).
- The Government, in consultations with stakeholders, need to design a more

meaningful National Action Plan (NAP) on Business and Human Rights. The government has presently released a zero draft which has not instilled confidence in the trade unions and Indian civil society. A NAP development process, according to the UN Working Group on BHR, should be inclusive and transparent. Relevant stakeholders must be involved and their views must be taken into account. The Indian government has not done this sufficiently in the run up to the zero draft. The government also needs to go beyond the NAP, which is based on the UNGPs, which are a voluntary instrument. Mandatory provisions on supply chain transparency and due diligence must be introduced in the National Guidelines on Responsible Business Conduct, 2018. This again is presently a voluntary measure only making reporting, on the Guidelines, mandatory for the top 500 listed companies.

TO THE FINNISH GOVERNMENT

- Draft a government proposal for national mandatory human rights due diligence legislation.
- Promote mandatory human rights due diligence at an EU level during the Finnish EU Presidency in July–December 2019.

APPENDIX: WHESLYN GROUP STATEMENT (in Finnish)

WHESLYN GROUP OY vastine Finnwatch-raporttiin

28.11.2018

Wheslyn Group Oy:n tavoitteena on läpinäkyvä ja vastuullinen tuotanto. Vastuullisuutta kehitetään valmistajien kanssa yhteistyössä. Wheslyn Group on alusta lähtien pitänyt vastuullisuutta yhtenä tärkeimmistä liiketoimintaa ohjaavista arvoista. Yhteistyökumppaneiksi on valikoitunut saman arvomaailman omaavia perheomisteisia yrityksiä. Vastuullisuustyön tueksi Wheslyn Group on liittynyt myös amfori BSCI -vastuullisuusohjelman jäseneksi. Amfori tarjoaa jäsenilleen koulutusta, tietoa ja puolueetonta arviointia yritysten liiketoiminnan vastuullisuudesta, ja Wheslyn Group on sitoutunut viemään näitä periaatteita tuotantoketjussaan eteenpäin. Yhteistyökumppaneiden kanssa on käyty läpi yrityksen toimintaohjeistus (Supplier Code of Conduct), johon jokaista valmistajaa vaaditaan sitoutumaan.

Yli puolet Balmuir-tuotteiden valmistuksesta on Euroopassa (kuluvalle tilikaudella 56%), suurimpana valmistusmaana Italia. Wheslyn Group suosii valmistusta lähialueilla aina sen ollessa mahdollista. Tuotteen valmistus- ja alkuperämaa määräytyy sen mukaan, missä erikoisia ja korkealaatuisia luonnonmateriaaleja tuotetaan. Euroopan ulkopuolinen tuotanto on keskittynyt niille yhteistyökumppaneille, jotka pystyvät vastaamaan korkealle asetettuihin laatuvaatimuksiin sekä työstämään uniikkeja luonnonmateriaaleja parhaiten. Pienempien perheyritysten etuna on perinteinen käsityötaito, jota vaalitaan hienojen materiaalien työstössä. Jokaisen tuotteen valmistus on säilynyt samalla yhteistyökumppanilla alusta lähtien, eikä sitä ole koskaan siirretty kustannussyistä valmistajalta toiselle.

Wheslyn Group tuntee yhteistyökumppaninsa henkilökohtaisesti ja pyrkii vierailemaan valmistajien tehtailla säännöllisesti. Kuluvalle tilikauden aikana Euroopan ulkopuolisista valmistajista on vierailtu Kiinassa sekä Etelä-Afrikassa sijaitsevilla valmistajilla. Näiden vierailujen aikana on tutustuttu myös yhteistyökumppaneiden alihankkijoihin, kuten lankavalmistajiin ja raakamateriaalin toimittajiin. Wheslyn Group pitää tärkeänä tuotantoketjun läpinäkyvyyttä, mutta tunnistaa samalla haasteet, joita yhteistyökumppaneiden alihankintaverkostot voivat toiminnan läpinäkyvyydelle asettaa.

Wheslyn Groupin ja HS Exportsin yhteistyön lähtökohtana olivat HS Exportsin valmistamat uniikit nahkatuotteet. Etenkin yhteistyön alkuvaiheessa Wheslyn Groupilta vierailtiin HS Exportsin tehtaalla tiivisti, tarkoituksena kehittää tuotantoa ja sen vastuullisuutta. HS Exportsin omistaja Harish Singh on ollut myös Wheslyn Groupin vieraana Suomessa tutustumassa suomalaisen työympäristöön ja -kulttuuriin. Tällä hetkellä Wheslyn Group ostaa HS Exportsin tuotannosta noin 7%. HS Exportsilla on 40 vakituista työntekijää. Wheslyn Groupin hankinnasta HS Exportsin osuus on kuluvalle vuonna 5%. Viimeisten vuosien aikana sisustusnahkatuotteiden painotus Balmuir-mallistossa on pienentynyt huomattavasti, mistä johtuen myös hankinta HS Exportsilta on vähentynyt merkittävästi.

Finnwatchin raportti vahvistaa käsitystämme siitä, millaisia haasteita alihankintaverkosto voi vastuullisuustyölle asettaa. Tuotantoketjujen hallinnassa ei riitä pelkästään oman yhteistyökumppanin tunteminen ja vastuullisuudesta varmistuminen, vaan vastuullisuutta on pyrittävä edistämään myös yhteistyökumppanien alihankinnassa aina raakamateriaalilähteille saakka. HS Exportsin mukaan alihankinnan osuus heidän tuotannosta on noin 10%. Otamme raportin löydökset vakavasti ja pyrimme aktiivisesti ajamaan tarvittavia muutoksia HS Exportsin alihankinnassa. Muistutamme HS Exportsia myös kirjallisten työsopimuksien merkityksestä, joita Wheslyn Groupin Code of Conduct edellyttää. Jatkamme toimintaohjeistuksemme noudattamisen valvomista.

Vaadimme yhteistyöyrityksiltä ja heidän alihankkijoilta ehdotonta paikallisten lakien noudattamista ja ihmisoikeuksien kunnioittamista. Tulemme ensi vuoden aikana osallistumaan hankkeeseen, jossa arvioidaan Wheslyn Groupin liiketoiminnan kansainvälisiä ihmisoikeusvaikutuksia. Huolellisuusveloitteen periaatteiden mukaisesti pidämme laajemman vaikutusarvioinnin tekoa tärkeänä.



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