

Good and Better Jobs in India - Findings of the Study and Way Forward

Project Advisory Committee Meeting - III

June 09, 2023

Draft Report

1. Introduction

- 1.1 Workers are viewed solely as a cost component in business but the narrative has to change and they should be to recognised as valuable human capital for business improvement. One of the significant challenges faced by the Indian economy is not simply unemployment, but rather the issue of underemployment, which encompasses low wages and the disregard for non-income aspects of employment.
- 1.2 By highlighting the qualitative dimensions of employment and emphasising the importance of workers as a vital asset, the project seeks to address this structural problem and promote a more holistic approach to job creation and development in India. In its project on Good and Better Jobs in India, CUTS International is building a much-needed narrative for considering ‘workers’ not just a cost component in doing business but as ‘human capital’ for the betterment of business.
- 1.3 Keeping this context in mind, it has conducted a study on ‘Workers’ Welfare and Corporate Strategies- A case study of India’ to understand whether employers in India view their workforce as an asset or a liability. The purpose was to identify and learn from good practices of employers and make recommendations for the betterment of workers’ welfare. 43 respondents from construction, gig economy, textiles, and hospitality sectors in India were interviewed using a detailed, qualitative questionnaire.

2. Agenda

- 2.1 The first item on our agenda is to present the recently concluded study conducted as part of this project. This study focused on examining how Indian corporations incorporate workers' welfare into their business development strategies. We will and seek your guidance on implementing these recommendations effectively.
- 2.2 The second item on our agenda is to address the significant disparities, specifically focusing on the approach for conducting a follow-up study. This sequel study aims to examine how investors or institutions, including investment banks and venture capitalists, consider workers' welfare when making investment decisions.

Additionally, we will evaluate the effectiveness of current emerging ESG tools within this context.

3. Presentation of Synthesis Report on Workers' Welfare and Corporate Strategies - A case study of India

A few recommendations from this study are as follows:

- 3.1 Streamlining the government's role in promoting workers' welfare so as to ensure that employers follow recommended norms vis-à-vis workers' welfare.
- 3.2 Adopting measures for boosting women's participation in the workforce by tackling attitudes and making provisions for 'positive discrimination' as per women's needs.
- 3.3 Building capacities of companies for greater uptake of the Business Responsibility and Sustainability Report (BRSR) framework, which aims to establish links between the financial results of a business with its ESG (Environment, Social, Governance) performance

4. Way Forward and Recommendations on Workers' Welfare and Corporate Strategies - A case study of India

- 4.1 The recommendations and insights provided by the PAC members highlight important aspects of worker welfare and employment conditions in various sectors. PAC members emphasised the need to analyse sector-specific dynamics, explore the growth of contractual and non-contracted permanent employment, and consider the intersection of climate imperatives with worker welfare. Following are the recommendations put forward by PAC members:
- 4.2 **Analysing Differences Among Sectors:** The PAC members suggest analysing the differences in worker welfare among sectors, focusing on the gig economy, textiles, hospitality, and construction. Each sector has unique dynamics that impact the working conditions and welfare of contractual workers. By understanding these distinctions, policymakers and stakeholders can tailor interventions to address sector-specific challenges and improve worker welfare effectively.
- 4.3 **Exploring Contractual and Non-contracted Permanent Employment:** The growth of contractual and non-contracted permanent employment requires careful examination. The influence of prescribed labor standards and country-specific conditions on employment patterns needs to be considered. By studying the implications of these factors, policymakers can gain insights into the changing nature of employment relationships and devise appropriate measures to ensure fair and sustainable employment practices.
- 4.4 **Addressing Women's Employment:** The low participation of women in the labor force, particularly in India, demands comprehensive exploration. Identifying the

reasons behind this disparity and identifying opportunities for improvement is crucial. By understanding the underlying factors and developing targeted interventions, policymakers can create an enabling environment that promotes women's employment and fosters gender equality in the workforce.

- 4.5 **Integrating Workers' Rights into the ESG Framework:** Recognising the interconnection between human rights and workers' rights, the PAC members recommend integrating workers' rights into the Environmental, Social, and Governance (ESG) framework. This integration would provide clearer guidelines for companies to ensure the protection and promotion of workers' rights as a crucial aspect of their social and governance responsibilities. Strengthening the incorporation of workers' rights within the ESG framework can contribute to more responsible and sustainable business practices.
- 4.6 **Ensuring Worker Welfare for All:** The focus on worker welfare must extend beyond formal and organised sectors to encompass all workers in the supply chain, including those in outsourced and platform-based jobs. By addressing the unique challenges faced by these workers and developing tailored strategies, policymakers can promote fair and inclusive employment practices that cover all segments of the workforce.
- 4.7 **Practical Implementation and Ethical Practices:** The PAC members stressed on the importance of practical implementation and ethical practices in improving worker welfare. This includes developing standard operating procedures (SOPs) that uphold ethical standards and incorporating inquiries about ethical practices in surveys and questionnaires. By promoting ethical practices and ensuring their effective implementation, stakeholders can create a conducive environment for worker welfare and social responsibility.
- 4.8 **Implementing ILO Classifications and Expanding Worker Definition:** The adoption of International Labour Organisation (ILO) classifications of workers' rights is recommended to guide policy formulation and implementation. Moreover, the PAC members emphasise the need to expand the worker definition beyond the boundaries of factories to encompass workers in diverse settings. This broader understanding of workers' rights ensures comprehensive protection for all individuals engaged in work, irrespective of their specific work environments.
- 4.9 **Recognising the Significance of Wages:** Wages are identified as a key aspect of worker welfare. The PAC members highlight the importance of considering wages as the return for labor, which includes not only income but also opportunities for skill acquisition and career progression. By recognising the multifaceted nature of wages, policymakers can promote fair compensation practices and provide avenues for workers' professional development.
- 4.10 **Private Sector Involvement and Collaboration:** The private sector's responsibilities and actions are emphasised, particularly in addressing skills and

collaborating with state governments for a decentralised approach. Engaging the private sector in skill development initiatives and forging partnerships with state governments can enhance the effectiveness and reach of efforts aimed at improving worker welfare.

- 4.11 **Reforming Sector Skill Councils:** Reforming sector skill councils is recommended to enhance their understanding of market linkages and include private sector representation. Streamlining government schemes and policies to promote workers' welfare, especially in the gig economy, can be achieved through collaborative efforts and by leveraging the expertise of sector skill councils.
- 4.12 **Exploring the Intersection of Climate Imperatives and Worker Welfare:** The PAC members highlight the need to explore the intersection of climate imperatives, such as decarbonisation, with worker welfare. Understanding the impact of climate initiatives on both small and large businesses is crucial for devising strategies that simultaneously address environmental concerns and protect workers' interests. This holistic approach ensures a just and sustainable transition that considers the welfare of workers affected by climate-related changes.
- 4.13 **Broadening Recommendations for Skill Development and Worker Welfare:** To facilitate the transition to a green, resilient, and inclusive economy, PAC members suggest broadening the recommendations to focus on the skills needed for the transition, managing its impacts, and improving worker welfare. The Business Responsibility and Sustainability Reporting (BRSR) framework is proposed as a valuable tool for accountability, with its quantitative measures and indicators applicable to both corporations and small and medium-sized enterprises (SMEs). Specific sectors like steel and agriculture should be considered for targeted interventions related to decarbonisation and enhancing local economic resilience.
- 4.14 The recommendations put forward by the PAC members reflect the diverse dimensions of worker welfare, encompassing sector-specific dynamics, contractual employment, women's participation, ethical practices, workers' rights integration, and the intersection of climate imperatives. By addressing these aspects and adopting a holistic approach, policymakers, stakeholders, and organisations can foster fair and inclusive employment practices that prioritise the well-being and rights of workers.

5. Discussion on ToR - ESG Tools, Investment Decisions and Workers' Welfare: A Case Study of India

- 5.1 The background and context of the ToR highlight the increasing consideration of Environmental, Social, and Governance (ESG) factors in investment decisions in India. While the environmental and governance aspects have gained attention, the social factor, particularly workers' welfare, is yet to emerge as a crucial determinant of investment.

- 5.2 The study aims to explore the importance of workers' welfare in investment decisions and its impact on long-term financial performance and reputation. It is observed that corporates with good workers' welfare practices exhibit enhanced operational efficiency, talent attraction and retention, and better relationships with stakeholders.
- 5.3 Investors are employing tools such as ESG ratings, integration frameworks, and stakeholder engagement to evaluate ESG factors. Factors driving investors to consider workers' welfare include changing investor preferences, regulatory environment, risk management, and the recognition of long-term value creation.
- 5.4 The objective of the study will be to understand the relevance and effectiveness of ESG tools in making investment decisions for fostering workers' welfare in India. The proposed methodology involves a literature review, identification of representative corporates, investment banks, and venture capital firms for interviews, and the use of qualitative and quantitative questions to test the impact of ESG tools on investment decisions, considering control variables.

6. Recommendations and Suggestions on the ToR - ESG Tools, Investment Decisions and Workers' Welfare: A Case Study of India

- 6.1 When engaging with management, it's important to ask not only if they take workers' welfare into account but also how they do so. This applies to both investment banks and companies. By asking about the specific parameters and criteria they use to consider workers' welfare, we can gain a better understanding of their approach.
- 6.2 While it may be challenging to directly gather input from workers in the company, it might be possible to consult with trade union leaders who can provide insights into how workers' welfare is being addressed at the company and in the investment ecosystem. Advocacy with investment bankers can be effective in furthering the cause of workers' welfare, as long as there is a focus on engaging stakeholders and addressing the concerns of workers and the surrounding community.
- 6.3 Harmonising ESG standards and rating systems can contribute to higher accountability and better alignment of practices. However, it's important to balance harmonisation with flexibility, as different sectors and stakeholders may have unique requirements. Interoperability can be considered as an alternative approach to harmonisation, allowing companies to report according to international standards while mentioning compliance with domestic regulations.
- 6.4 Conducting a comprehensive literature review is crucial before drafting a questionnaire. This review will provide insights into existing research, standards, and best practices related to workers' welfare and ESG. By leveraging the existing literature and consulting with experts, the questionnaire can be refined and tailored to gather the necessary information effectively.

- 6.5 It's essential to define the scope of the study and identify the target audience for the questionnaire. Rather than aiming for a large sample survey, a more intensive approach that involves direct engagement with investors may be more fruitful. Segmenting the investor constituency and focusing on impact investors and those interested in sustainable development goals (SDGs) can help identify stakeholders who are more inclined to address workers' welfare.
- 6.6 Separating the evaluation of environmental, social, and governance (ESG) factors can be beneficial, as each area has its own unique considerations and parameters. The social dimension, in particular, can be challenging to define due to its broad nature and regional variations. It's important to carefully select parameters that are relevant to specific contexts and ensure that the evaluation remains comprehensive.
- 6.7 Overall, conducting a thorough literature review, refining the questionnaire based on expert input, and engaging with stakeholders directly can help in gathering meaningful data and advancing the cause of workers' welfare effectively.