



General Achievements Observed at the Eight Indian SUSBIZ Participating Companies

This overview presents a brief and general introduction to the achievements accomplished within labour standards, health & Safety and environment at the eight Indian SUSBIZ companies during their participation in the SUSBIZ India project. The overview is based on study visits at the Indian SUSBIZ companies conducted in April 2009 by The Danish Federation of SME's and The Danish Commerce and Companies Agency.

Introduction

During the SUSBIZ India project some issues have proved more difficult for the Indian companies to work with than others. In general, however, all companies have accomplished to implement most of the points in the individual action plans developed by the SUSBIZ team. A major accomplishment achieved during the project is the change of attitude towards CSR of the managements in the Indian companies. Before the project most managers had only a vague idea of the concept of CSR and some managers did not even know of the concept. Scepticism toward the SUSBIZ India project was very wide spread and the potential benefits of engaging in the CSR implementation process were not acknowledged. During study visits to the Indian companies it became apparent that the large majority of the companies now clearly see the linkage between CSR efforts and business performance. Also, the management of the companies - especially the larger ones - acknowledges that a high standard on CSR related issues is a crucial prerequisite for business growth beyond a certain level, e.g. as larger buyers are increasingly concerned about CSR issues. Though the change of attitude is not a direct benefit for the workforce nor an improvement that can be visually observed, it is a very important change to acknowledge. Whereas the way Indian companies are normally encountered by demands on CSR from their buyers typically creates scepticism and holds a potential risk of companies engaging in fraud in stead of improving on CSR issues, the change of attitude occurring from the participatory SUSBIZ approach has laid the ground for real and sustainable CSR improvements.

Labour standards

In general there has been an increase in the percentage of workers enrolled as regular workers and a decrease in workers enrolled as contract workers. Though it is the responsibility of the company that labour standards are complied by – also with regard to contract workers - a problem with contract workers is the difficulties connected to ensuring compliance when labour is hired through a contractor. Yet, most of the companies have implemented systems contributing to contractors abiding by

the law and living up to basic labour standards. For instance this means to ensure that the contractors have attained the legal permissions to work as contractors and that contract workers are provided with legal appointment letters, are paid the minimum salary and enrolled under the ESI and PF schemes (Employee State Insurance covering medical expenses of workers and their families and Provident Fund providing financial benefits to the workers when leaving their job or retiring). In one case (Merlin Creations) the management has solved wage problems with regard to contract workers by over viewing salary payments from contractors to contract workers, making sure that the contract workers get the share that they are entitled to.

With regard to regular workers a large increase in the number of workers provided with legal appointment letters, enrolled under ESI and PF has been observed. For many of the companies all regular workers are now provided these benefits.

In general, excessive overtime has decreased, though especially overtime is a difficult issue to address. This is mainly due to the workers demands on overtime, buyers demands on very short delivery times and unpredictable fluctuations in the placing of orders from buyers. However, since production has increased in all the companies as a result of implementation of lean management and other productivity related initiatives, room for decrease in overtime has been established. In the case of Sri Jaya Prabha Exports better production planning and increased productivity have paved the way for an approximate 15 % decrease in overtime and a decrease in expensive airfreight from 25 % to 2.5 %. An important prerequisite for this is the contribution from the Danish SUSBIZ partner of Sri Jaya Prabha - Sourcing House. As a result of engaging in the SUSBIZ project, Sourcing House has changed their buying behaviour. Orders are now spread out during the year in stead of being placed in two main bulks up to the production of spring and fall collections. Thereby, the squeeze on the supplier has decreased, lead times are being met and fast shipment by air is no longer needed.

Expenses saved from – among other things - decreased overtime and airfreight has also enabled the company to increase wages and assure that so far 25 % of the workforce receives overtime premium. The share of workers receiving minimum salary is increasing, but especially salary is difficult to address since buyers are squeezing the prices they are willing to pay and the Indian companies fear that buyers will move their sourcing to China or Bangladesh where prices are lower. Due to better understanding among the Danish SUSBIZ companies with regard to the situation of their Indian partners, squeezing of prices is not as apparent from the Danish SUSBIZ participants as from other buyers. But since most of the Indian companies have many buyers this does not change the difficult circumstances much. However, increased understanding and contribution from the Danish buyers as well as productivity improvements has been extremely crucial for the improvements observed with regard to overtime and salary.

Ensuring freedom of association has been tackled by the companies by establishing different committees (welfare, safety, anti-sexual harassment and first aid committees). Also, suggestion boxes have been established giving the workers a means of raising their voice anonymously. In one case (AKDPL) most workers are illiterate so suggestion boxes are supplemented by monthly meetings with all workers and management participating, dealing with issues that workers feel important.

Management systems within labour standards and human resources have also been established. Policies outlining for instance workers rights, disciplinary procedures, loan giving from the companies to the workers, holiday policies etc. have been designed and are in most cases posted on notice-

boards in the companies in the local language. In some companies middle management with specific responsibility of CSR and human resource management has been established.

Health and Safety

Health and safety is an area that is not affected by difficult contextual circumstances to the same extent as for instance overtime and salary. Thus, tremendous improvements have occurred within these areas. First aid boxes and fire fighting equipment have been established at all companies. Safer and more comfortable working conditions and factory layout have been set up and workers have received training in first aid and fire fighting. First aid trained personnel has been made identifiable by arm-tags or on notice-boards. Furthermore, some companies have provided training in health related issues not directly connected to the working situation such as tobacco chewing or smoking. Periodical medical check ups have been established in most companies typically conducted for all new workers at employment and twice a year for existing workers. Indirect improvements are seen in quality and productivity from better working conditions and a more content workforce. Direct improvements in the quality are seen for instance as workers with eye problems have been identified. The simple improvement of these workers now wearing glasses, have had a significant influence on product quality.

Personal protective equipment (PPE) has been provided where needed at all factories and training in its use and consequences of not using have been conducted. Some problems still remain since some workers are reluctant to use the equipment because of cultural issues (e.g. some workers find it embarrassing to use PPE in a macho environment). However, awareness training is changing this attitude and the management reports on an increasing number of workers using PPE.

All together, risks with regard to health and safety have been drastically reduced.

As an overall result of improvements within health and safety, production and labour standards attrition rates has typically decreased which means that management can rely on a steadier workforce and saves resources on training of new employees.

Environment

None of the Indian companies are engaging in especially environmentally hazardous activities (however in the supply chains of some of the companies some environmental issues could be addressed), thus the environmental challenges were not insurmountable. Energy efficiency audits have been carried out and many of the companies have invested in resource saving equipment e.g. energy efficient boilers (garment industry companies), energy saving illumination and more efficient electricity generators (where power cuts are regularly occurring). The attitude has also changed in this regard. Previously some companies showed reluctance towards the rather large investments attributed to resource savings, but education and awareness training have clearly provided the management with knowledge on the long term financial benefits connected to these environmental improvements.

Another focus point has been on segmentation of waste at the source of generation. Since waste is now segmented for many companies waste can be sold at a higher rate or is cheaper to dispense. Also, more waste is being reused since segmentation has improved the scope for this.