

# First impressions business trip India

March 2020

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At the beginning of March, a delegation of companies, contracting authorities and an NGO traveled to India to set up a dialogue on international responsible business conduct (IRBC) with local stakeholders: owners and managers of production sites, representatives of employees, NGOs and local authorities. The purpose of the visit was to jointly draw lessons with companies and contracting authorities on how to seek and promote cooperation with stakeholders in India and how to deal with this in public procurement.

Prior to this visit, an independent research agency (ASK) carried out an analysis of IRBC-risks with regard to the extraction and processing of black granite in Telangana and the extraction and processing of sandstone in Rajasthan. In Khammam, Telangana, ASK presented the research report and the participants entered into a dialogue about the findings. The dialogue was intended to create a common understanding and to explore ways to work together to address identified risks. Due to the Corona threat, a similar dialogue meeting and field visit in Kota region in Rajasthan could not take place.

The delegation's conclusions will be included in the final report of the Natural Stone Pilots on public procurement, which will be published in autumn 2020. In anticipation of this, this report provides first impressions of the risks and opportunities for improvement in the natural stone sector (granite) in Telangana, India based upon the report of ASK and the stakeholderdialogue. The full analysis of risks can be found in the report of ASK.

## 1. Remuneration migrant workers low

During the dialogue session, many owners or managers of quarries and factories indicated that workers receive a good salary, partly because the work at the production sites is specialistic and there is a shortage of workers to do the heavy work such as lifting and drilling. The ASK report confirms that in Telangana for employees who have a contract and have the necessary skills, this is indeed often the case. However, according to the report, this is different for temporary workers or for unskilled workers. That category of workers often does not receive the statutory minimum wage.

Another problem that emerges from the report is that overtime is often not or not fully compensated. Moreover, the compensation that is given is often not higher than the regular salary.

A third problem identified by the researchers is that the payment of wages is delayed. Migrant workers sometimes have to wait two weeks after completing the work before receiving wages. The reason for this is that in this way employers or contractors want to prevent the workers from leaving.

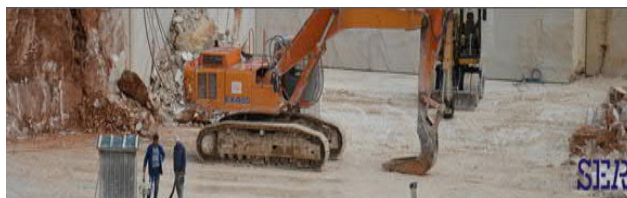
## 2. Rights of migrant workers are violated

According to the ASK report, temporary workers - often migrants - do not receive a letter of appointment and contract that specifies the nature of the work and the level of salary. This gives temporary workers a weak position in conflicts. It also means that temporary workers have a weak negotiating position with the next employer, because they cannot show what experience they have gained and what salary they have already received.

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In most cases housing is provided to migrants by quarry owners and meals by contractors. The housing leaves much to be desired. The accommodations are small and unsanitary. There is no privacy.

### 3. Child labour occurs

According to the report, in the extraction and processing of granite child labor among children up to 14 years of age is not widespread. The argument is given that the work is too heavy for that. In addition, there is a growing awareness within communities that education for children is important. Governments are also increasingly enforcing regulations in this area.

In the processing of sandstone it is more common for (migrant) children up to the age of 14 to work. This often involves collecting residual waste and processing cobblestones.

In both types of natural stone, children between the ages of 15 and 17 work at production sites, which is prohibited under Indian law.

### 4. Occupational health and safety policies insufficient

According to the report, there is a substantial risk of accidents and work-related illnesses in production sites, including silicosis. However, many production sites do not have a health and safety policy. Awareness and training in the area of occupational health and safety of both management and employees is found to be lacking and needs urgent attention. Personal protection equipment is often not available or is not being used.

### 5. Achieving impact is a common interest

During the dialogue in Khammam, it became clear that Indian suppliers realise that the continuity of their business requires structural improvements. Young people from the region often no longer want to work in quarries and factories. It often involves heavy work, especially under (weather) conditions (heat) that are exhausting for a large part of the year. As a result, production sites are increasingly dependent on migrant workers, often from poor regions in northern India. If migrant workers are poorly paid or have to do their work under bad conditions, they will not return. In the long run, this can lead to a shortage of labour.

At the same time, Western companies feel pressure to meet the expectations of consumers and the requirements of contracting authorities. These requirements are often laid down in international guidelines. On the basis of this, companies should map their supply chain, identify which risks are at stake and contribute to reducing those risks to the best of their ability.

Contracting authorities have the same expectations and guidelines. Citizens and media are increasingly asking critical questions about the origin of materials used for public works.

### 6. Impact also requires cooperation

Among Indian companies, there is certainly a willingness to contribute to improvements. For example, one of the suppliers indicated that it had guaranteed access to care for employees and family. Another supplier actively helps to ensure that children of employees go to school. However, Indian companies cannot deliver structural improvements on their own. The costs of extracting and processing natural stone are rising as a result of, among other things, higher taxes and higher tariffs

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for electricity. At the same time, the price of the stone is falling due to the emergence of competitive materials.

Suppliers and customers need each other to realise improvements. In that context, one of the participants indicated: "If you do not take responsibility yourself, you are not in a position to make demands either."

The latter certainly also applies to contracting authorities, such as municipalities. Purchasing practices of municipalities, such as tight delivery times or late order changes, can put a lot of pressure further down the supply chain, for example to work overtime or save costs on working conditions.

### 7. Improvements not always complex or cost-increasing

According to international guidelines, companies should address those risks first that are the most severe and likely. This can put small businesses in particular in a situation where they face very complex problems such as child labor that they cannot solve always or easily on their own. Cooperation with other companies or with local parties can then offer a solution or at least can help to address this risk.

However, often there are improvements that can be taken up relatively easily as well. A number of suggestions were made during the dialogue: Migrants are often not fluent in the local language or cannot read or write at all. If foreign companies contribute to translations of contracts or regulations or provide support in applying for insurance or government benefits, this easily makes a change without structurally increasing the cost price. The importance of realistic delivery times and long-term relationships between importer and supplier was also emphasized.

### 8. Dialogue is means to align awareness and knowledge

To understand the causes of problems and to monitor the progress of improvements, it is necessary to consult different sources and to speak to different stakeholders. As was mentioned in the dialogue, this applies, for example, to problems related to migrant workers, such as non payment of minimum wages, no access to social security entitlements etc.

In many production locations, operational responsibility for the recruitment of workers lies with contractors. They are responsible for recruiting workers at the request of the owner or manager of a production location. An owner therefore does not know the (temporary) migrant workers and often does not know which agreements have been made between the contractor and the migrant workers. It is therefore necessary as a buyer to ensure that it is properly monitored that agreements with a supplier and upholding Indian laws such as The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 are also observed at the contractor level.

### 9. Local parties can contribute to improvements

Local parties have a great deal of knowledge of the local situation and can contribute to addressing risks. When it comes to working conditions at production locations, local unions have a great deal of knowledge. When it comes to problems with regard to migrant workers, it is more obvious to involve local NGOs (as well). Migrants are rarely members of a union.

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Parties to the TruStone Initiative can help companies get in touch with local parties. The Dutch consulate and the Netherlands Business Support Office (NBSO) can also support companies with this. Representatives from the consulate in Bangalore and the NBSO in Hyderabad participated in the dialogue.

### 10. Lasting impact requires lasting attention

The dialogue has contributed to the parties' awareness and knowledge of the risks in the sector and the responsibilities they have in their supply chain. A first step has been taken to collaborate on improvements where possible. In the coming year, participating Dutch and Flemish companies will follow up on the conclusions that will be included in the final report.

Indian suppliers asked to organize a stakeholder dialogue again next year. This will help to keep the theme on the agenda and to achieve structural impact.

It is now up to individual companies to continue the dialogue. The TruStone Initiative can help companies get in touch with local parties or – with due regard to competition rules - with other companies operating in the same region.

