

Research Report
2006

Unilever
Hindustan Lever Limited
India

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Table of contents

Introduction	1
Objectives	3
Methodology	4
Data collection	5
Labour relations in India	7
<i>Study cases</i>	7
Main plants	9
<i>Athal Beverages</i>	9
<i>HLL, Dapada – Detergents Unit</i>	10
<i>Amlı – personal products (pp) factory</i>	12
<i>Pune Tea export factory</i>	13
2P units in the supply chain	16
<i>Alfa Packaging</i>	16
<i>Global Healthcare Products</i>	18
<i>Aero Pharma (Silvassa) Inc.</i>	20
<i>Bharat Cosmetics- Silvassa – Athal</i>	21
3P units in the supply chain	23
<i>Shree Soaps and Chemical Industries</i>	23
<i>Yash Enterprises</i>	24
Corporate Social Responsibility	25
Conclusions	31

Introduction

In the last few years, especially after India's opening up its markets for the International Business, terms like 'people first', 'building partnership between society and corporate sector', 'corporate citizenship' and 'corporate social responsibility', have become buzzwords in the development discourse in the Indian media in general. There are regular seminars, conferences, workshops and even weekly columns in business newspapers, and mostly these are supported by the corporate and industry associations. Many of the large Indian and the subsidiaries of the multinational companies are affirming their commitment to the corporate social responsibility (CSR) and the use of 'stakeholder model' of development. Many of these companies have their codes of conduct or business principles encompassing their obligations to all its stakeholders-customers, employees, suppliers, community and the government, on their well designed websites. Some of these companies, especially the subsidiaries of large multinationals, are even signatories to the United Nations Global Compact.

In spite of these commitments-which are voluntary, most of the times these companies 'end up' contributing towards education, women's empowerment, health or doing relief or rehabilitation work whenever there are natural calamities as their corporate social responsibilities. The issues which have become more significant from society's point of view especially with the entry and rise of the multinational corporations during the outsourcing based model of globalization of Indian economy are paid much less attention and sometimes skewed attention by a section of media. The large multinational corporations in the recent times have been involved in damaging the eco-fragile mountains through their advertisement campaigns by painting the rocks. In some cases these MNCs have put the livelihood of the communities at a stake by drawing the underground water that is used by the people of that area for their domestic and agricultural requirements.

In addition some of these MNCs have blatantly violated the international conventions by making children work in the supply chain network of their business. In a more recent incident when workers of an MNC's production plant attempted to form union, which is their statutory right under Indian Labour legislation, they were brutally beaten up by the police, and what is intriguing is that such a legitimate act of forming union and planning to strike against 'work intensification' was almost treated as an underground conspiracy by a part of the media based on their intelligence reports.

Interestingly all these incidents took place in multinational companies which are supposed to be 'socially responsible' and probably signatory to United Nations Global Compact. We must state here that only a few companies in India have Corporate Social Responsibility as such as an agenda item for sustainable development. In fact a survey conducted by the Confederation of Indian Industry in 2002 shows that among its 3000 member companies in India, which include the subsidiaries of various multinationals also, only around 7% have incorporated CSR into their agenda (Business Standard, March 2002). Another study on CSR initiatives did not even include any enquiries

regarding working conditions and workers rights in its questionnaire that was given to the top 50 Indian companies including, of course, the subsidiaries of multinational corporations (Corporate Social Responsibility Initiatives of Indian Companies, Sept. 2003).

A more recent study (2004) by CREM, Amsterdam on Corporate Social Responsibility in India, policy and practices of Dutch companies, however, have rightly included labour aspects in their research work. They have found that companies (Dutch) pay attention to CSR aspects related to labour, but often selectively. On the worker's rights to organise, the study has found that, "although all companies acknowledge the right of their employees to organise, they seem less eager in Indian context. Of the companies interviewed (independent) trade unions were present in only one supplier." The report has further mentioned that, "while none of the interviewed companies gave information on this issue (on the security of employment in the supply chain), it is most likely that (lack of) security of employment is an important issue since a lot of outsourcing takes place".

Other than this study there, it seems there is no work on CSR in India specifically looking into the labour aspects and workers rights, which are integral part of UN Global Compact, Organisation of Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (2000) and International Labour Organisation's Declaration on Principles on Fundamental Rights at Work (1998).

It is important to state here that compliance to the codes or principles whether developed by aforementioned multilateral institutions or by the individual companies, is voluntary and thus the enforcement is a 'matter of private consultation or public embarrassment' (Compa and Darricarrere 1996 quoted in Budd 2004).

Objectives

The focus of the present study is on Corporate Social Responsibility of the largest fast moving consumer goods (FMCG) company of India that is, Hindustan Lever Limited, which is a subsidiary of internationally renowned transnational corporation, Unilever which has an annual sales turnover of 45 billion plus pound sterling.

HLL is not only the largest FMCG company of India dealing in home and personal care products and food and beverages, it is also one of the most respected and sort after company in India for the talented youngsters. HLL has 80-company factory with a nationwide distribution of 7000 stockists in India. It has more than 150 outsourcing units and 2000 plus suppliers in its supply chain network, which has been the focus of the company over the last few years to compete in the market. The company employs more than 33,000 individuals including around 1,500 managers. The company's statement of the corporate purpose is to "meet the everyday needs of people, everywhere", which is very much in line with the way its parent corporation, Unilever, describes its activities.

HLL is also a founder member of the UN Global Compact in India. This means that it is expected that the company comply with the UN Global Compact principles, including, the labour practices and worker's rights in its supply chain network apart from in its own factories.

Within this framework, the company has committed itself towards the Corporate Social Responsibility in its corporate purpose with the belief that "to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and the world in which we live". "HLL's Corporate Social Responsibility philosophy is embedded in its commitment to all stakeholders-consumers, employees, the environment and the society that the organisation operates in".

The main objective of the study is to understand how far HLL has been able to comply with its labour practices and worker's rights under the Corporate Social Responsibility, both in its own factories and in its supply chain.

Methodology

For this research, field based survey technique has been used. Where first the complete list of the suppliers in the Western region of India was collected and then through purposive sampling, the main units and the subcontracting units were chosen for survey. The research work was started in the month of December 2004, however, making appointments and subsequent meetings with the senior level managers of the company primarily to take permission to conduct the studies and this took away quite some time. However once, the permission was granted by the company management, conducting fieldwork became very smooth.

At the first stage, the company management provided us with the list of their various plants and their suppliers in the Western regions of India. During the discussions, we have found the suppliers in the supply-chain network of Hindustan Lever Limited are divided between 3P (Third party) and 2P (Two party) units. 3P units are the ones among suppliers to whom a company assigns a 'Job Contract'. The Job Contract involves largely peripheral but still important tasks involved in putting the product in final shape to be sold in the market. However, sometime the job of manufacturing some traditional quantity of the same product as produced in the main plant of HLL is also contracted up. As a policy of the company, these 3P units are supplied the raw materials by the Hindustan Lever and the company is only the 'conversion cost' involved in the job. The company also as a policy, signs a contract with the 3P units regarding the quantity of the product which will be surely picked up by the company and agreed amount of returns that will be paid to the owner of the 3P units.

The 2P units are the 'end product' suppliers of the company and, compared to 3P units, these 2P units are relatively large in size in terms of both sales and employees' strengths. Compared to what happens in 3P units, which are relatively more dependent on the company, in 2P units, the raw materials are arranged by themselves and packaging is done in the units. The 'end product' or the 'finished product' is sold to HLL. Typically at both these 3P and 2P suppliers' workplace sites, a Hindustan Lever executive is stationed primarily to look into the quality of the work done at suppliers end.

HLL management explains that *"all 2Ps and 3Ps are distinct legal entities which are owned, run and managed by their proprietors and are not HLL units in any way. With regards to their compliance to the statutory regulations, HLL obtains from these units a Positive Assurance towards compliance to the Minimum Mandatory Standards encompassing COBP [Code of Business Principles] and statutory regulations."* Apparently, the management uses Unilever's internal Code of business Principles as a standard for suppliers as well, instead of Unilever's shorter Business Partner Code originally intended for this purpose.

Data collection

After understanding the aforesaid mentioned supply-chain network and by looking through the list of various 2P, 3P and HLL plants in the Western Region of India, we decided to visit three HLL plants in Silvassa and some of their large, medium and small 2P/3P suppliers. In addition to this, we have also visited one export Tea Factory of Hindustan Lever in Pune.

Initially, it was planned to include a main HLL plant in Mumbai (Bombay) as well, which had over 900 direct HLL employees. However, the management refused to allow research on this plant. It was later discovered that there was a conflict between the management and the trade union going regarding the operations of the plant and during 2005, the plant was first sold to another company and subsequently closed. Due to the limited access to information, the issue is not further described in this report.

Data (both qualitative as well as quantitative) was collected with the help of interviews and observations at the plant sites and also at the sub-contracting units in the supply chain. Some of the quantitative data have been collected with the help of questionnaire / interview with the workers and executives at the sites.

We spoke to the managers, Authorised Representatives (ARs) and also to some of the workers in each of the HLL own plants. In Dapada and Amla we interviewed the Authorised Representatives under, we believe, mostly free neutral setting. In each of these plants, we had been given a separate room and workers and/or Authorised Representatives were interviewed by us. These workers/ARs were called from their workplace by the HR manager to meet us. In the Pune Tea factory we interviewed workers and members of the union committee. In between the visits of the units, we have also interacted with some of the Unions leaders associated with these plants, some workers and a few managers of the company.

In each of the visits, we have collected information at the workplace related to:

1. *Number of Workers:* Direct (Permanent) and Indirect (On Contract – and one fixed term contract)
2. *Minimum Wage of Workers*
3. *Social Security Benefits*
4. *Hours of Work*
5. *Shift Workers*
6. *Education and Training*
7. *Presence or Absence of Workers' Union*
8. *Male / Female Workers*
9. *Size of the Unit – Sales*
10. *Labour Flexibility and Work Conditions*

In addition, we also have looked into some of the documents related to worker and working condition issues, which are supposed to be maintained by the company under the law and also as part of their Corporate Social Responsibility.

Labour relations in India

So far as the freedom to form association, the right to organise, and to negotiate collectively on working conditions is concerned, the Indian Labour Legislation does provide avenues for all this, if the number of workers working in any manufacturing establishment is more than 7. The working hours and the over time is also regulated by the Indian labour legislation. Typically for this sector the state government declares minimum wage from time to time. In addition, the use of contract labour is also regulated by the Indian Labour legislation, although in practice many employers, especially in the absence of a workers' union, end up circumventing the provisions under the labour legislation.

Typically and especially in today's globalizing business environment of India, labour institutions are under a lot of pressure by the employers, lobbying through their association, to convince the government to 'reform Indian Labour laws', that is, making it easier to hire and fire and to deal with the flexibility of product market by hiring contract workers or fixed term contract workers. Of course, like many other countries today, in India as well the unions are not perceived with high level of trust and organising workers is also not perceived positively.

Study cases

Hindustan Lever limited has two beverages plants in Silvassa. Silvassa Beverages is the umbrella name for these two factories. One of these was established in 1998 in Sayali and the other one in 2001 in Athal. So far as the business of beverages is concerned there are no 3Ps or 2 Ps (3rd Party and 2nd Party Sub-contractors) in the western region of India. Both these factories produce 15000 tonnes of beverages together annually. We visited only one of these two factories, the one which is in Athal. We also visited two other HLL units. One of these is in Amli (Silvassa), which is called the personal products factory, since it produces cream, lotion, shampoo and talc. The annual turnover of this unit is 20,000 tons/year. The other unit is the detergents factory in Dapada (Dadra and Nagar Haveli), which produces detergents and cakes. The annual turnover of this unit is 1,20,000 tons/year. In addition to these main plants of HLL, we also visited the tea export factory of HLL in Pune, which produces tea bags and packed tea for export only. The annual sales turnover of this unit is Rs. 2,200 crores. Also as mentioned earlier, to gain an understanding of 'working conditions and social security', four 2P and two 3P units of HLL (supply chain) were visited. Each of these cases is discussed below, starting with the main plants of HLL and then moving on to the supply chain.

During our interviews with Authorised Representatives (ARs) in two of the three main plants of HLL, we got an impression from them that a worker's union represented by the ARs is effectively not a collective bargaining association. We got this impression on the basis of facts that the ARs representing the workers do not have any time to regularly meet and decide about the typical internal union matters like membership, membership fees, having its own funds to take up the issues related to workplace, decide about the

strategy of the union before signing the collective bargaining agreement and even to decide about the fair and independent election of the union committee on their own.

The management responded to this as follows: *“HLL respects the right of its employees to unionise and collectively bargain in its units. The choice of forming an association finally rests with the individual himself and the Company does not come in the way of workmen forming unions and associations. Over 90% of HLL employees in the bargainable cadre are unionised through a number of local and national level unions (over 100 unions). In the absence of the workmen forming a Union, a team of Workmen Representatives are sought who are authorised by the workmen to engage in the Collective bargaining process with the Management to arrive at a mutually beneficial Long Term Settlement.”*

Main plants

Athal Beverages

This unit of Hindustan Lever is located in Athal – Silvassa. It was established in 2001. Packaging of tea is done in this unit. They blend two types of tea: the North Indian tea and the South Indian tea. The North Indian component is blended in Kolkata and is directly sent to this plant for packaging, whereas the South Indian component comes directly to them from plantations and part blending is done here in this plant. The total sales turnover of this unit is Rs. 104 crores. (Approximately €18.57 million).

The total number of permanent employees in this unit is 69. In addition, there are 8 officers and two managers in each of the two beverages units. However the HR manager looks after both the plants. Out of the 69 workers, 24 are trained at the Industrial Training Institute and rest of them are formally not trained. Typically, in India, this training is conducted at the Industrial Training Institute and is vocational in nature. These Institutes are run by the Government of India. In order to get this training the individuals are expected have passed minimally 10 years of schooling. There are no women workers in the factory and according to the management 'no women have ever applied for work in the factory'. The average age of workers in this plant is 26 years. There is a planned job rotation of the workers every year or so. Classroom training, as well as on job training, is imparted to the workers at the plant itself. In addition to these permanent workers, there are 100 –120 contract workers, who are legally hired by the company for variety of 'indirect – non core jobs' like house-keeping, loading unloading, security etc. from different labour contractors by signing an official legal agreement under the law.

There is a registered union in this unit and the permanent workers elect of their own 'Authorised Representatives' (AR's) to negotiate with the management on various working condition related issues including wages every three to four years. A collective bargaining agreement is signed by both the parties. The agreement include in it minimum wages, cost of living allowance, house rent allowance, various kinds of leaves, incentives and various social security benefits like provident fund.

Many of these workers are multi-skilled, that is, they have been trained to work on two to three machines requiring different skills simultaneously. The management says that this habit formation is very important, as they are all first generation workers. Some of them do have their own mobile phones. All these workers are 'daily rated' and are paid at the end of month for 26 days in case there is no absence.

The contract workers, however, are paid the minimum wage as announced by the Government from time to time and 12% of this is deducted to contribute towards his provident fund. In addition the employer that is the Hindustan Lever Limited contributes an equal amount of social security benefits. There are no other social security benefits available for these contract workers.

The working hours of the permanent workers are 8 hours in a day and 48 hours per week maximum. The work take place in the shifts at the factory and in addition to a normal shift there are three shifts. The management in this plant told us that they have strictly banned any overtime beyond regular 8 hours. The workers get one lunch break. Employees' State Insurance Scheme (ESIS) which is run by the Government of India as Health Benefits Scheme for the workers, is not applicable in Silvassa as the Union Territory, Government has exempted the industry in this region from this scheme. However, the company has arranged an alternative to this scheme for the workers, the benefits of which are availed by the contract workers also. Workmen insurance is provided through Oriental Banking. There are three levels:

- i. Cost for the rate according to the minimum wages
- ii. Cost for the PF (the contractor pays because the company is paying him)
- iii. Company pays the contractor the standard 15% margin. The contractor takes Workmen Insurance Policy

There are three contractors who supply workers for security, gardening and house keeping and loading / unloading work. These contractors have contracts in other companies also and these contractors have not been changed. As per the requirements of the law, the HR executive of the plant witnesses the payment of wages to the contract workers. The conditions are same and are applicable to all the contractors.

The average salary of the permanent worker is Rs. 6,800 (approx. ₹20) per month and is calculated for the 26 days at maximum. The high skilled workers get around Rs. 7,300 (approx. ₹30). The salaries are slightly higher for the older beverage factory. There is no canteen service in this unit. But there is space for workers to have their lunch, which they usually get, from their homes.

The Authorised Representatives – 7 in all, representing all the permanent workers do hold the union meetings once in a month. They discuss variety of work related issues and come up with the solutions and present their cases to the management. The Authorised Representatives across shifts who sign a collective bargaining agreement, usually called a long-term settlement (LTS), with the management Charter of demands are submitted and signed. The management told us that there have been no problems because these units of HLL in this cluster are younger units. Among the workers there is a very good mix of local Adivasis (Tribals) as well as people from other castes and communities. The older unit they say has a very good mix of Hindus and Muslims. There is one Human Resource Manager for both the beverages plants. And standard production, they say is based on the speed of the machine. The safety and quality standards are regularly supervised. Training programs are conducted for the workers. No worker has ever been retrenched. Those few who left, did so of their own initiative.

HLL, Dapada – Detergents Unit

This unit was set up in 2001 in Dapada, which is in Dadra and Nagar Haveli. The main products, which they supply, are detergent powder and cakes. The annual turnover of

this unit is Rs. 550 crores with a capacity of 1,20,000 tonnes / year. Total numbers of employees are 433. There are 406 workers and 21 officers. There are 6 managers. There are two types of technicians – Assistants (Xth Pass) and Trained Technicians (ITI). There are 7 Office Assistants.

This unit has eliminated the use of bags by 95%. The entire powder handling operation is done by tankers. The auto-palletising operations are done by machines. This they say was a huge investment.

They take workers through employment exchange. There are 271 permanent workers. There are no female workers. No workers on fixed contract and no temporaries. There are 135 contract workers. Most of the contractors are multi-rotational, they move between units. Most of them do not come back after 6 months. The nature of their work is housekeeping, gardening, security, loading / unloading, fabrication work – they may come in a group and canteen services. 65% of the workers are aged between 21 – 25 and 77% between 18 to 25. Some worker's turnover problems are faced. Recently some workers have left. They joined Birla Copper. There is one general shift for managers and officers and 3 shifts for workers plus a general shift of 8 hours, which is during the regular working hours of the day, from 9am to 5pm. The typical hours of the three shifts are 7am to 3pm, 3pm to 11pm, and 11pm to 7am. They are given a lunch break of half an hour. Normally other small breaks are not monitored and are also not very strict with them regarding this.

Minimum wage is Rs. 4,500 per month and maximum is Rs. 8000 per month, which includes BASIC + DA+ BONUS (20%). The workers are provided a medical insurance. Paid leave, sick leave and casual leave are a part of settlement. The policy of paid leave, sick leave and casual leave is such that it discourages people to be absent. It has been noticed that the minimum wages are different for tea and soap factories. All workers that are employed are daily rated. There are education / training programmes for the workers. They have a worker's union wherein Authorised Representatives are the 'union leaders' who negotiate and sign collective bargaining agreement on behalf of all permanent workers with the management. Collective Bargaining is done based on the Charter of Demands submitted by the ARs. The management says by the next settlement in this unit ADNHKS (Akhil Dadra and Nagar Haveli Kamdar Sangh) might come into picture. Management has never retrenched any worker till date. When they were asked that how do they plan to recruit say, when the employees leave, they (management) said that they are not recruiting now. But one method is through redeployment (say from tea factory to detergent factory).

The union perceives that negotiation regarding various work practices and working conditions does not get reflected in the settlement. They are not involved in negotiation for Total Productive Maintenance (TPM). They sub-contract some of their work to a 3P unit.

The management, on the other hand, states that discussions over working conditions, introduction of new machinery, method process etc. form an integral part of the

negotiations and the final settlement. According to the management, *“Incentive schemes which detail standards of productivity, manning, equipment utilisation and various process parameters are discussed and agreed upon as a part of the LTS. TPM has been the way of working in our units in HLL for about a decade now. It aims at empowering employees, develop their skills and capabilities and create a better and safer work environment by considerably simplifying the work and the processes at the shopfloor. Many unions as a part of the settlements have accepted TPM and the TPM targets have been incorporated in the LTS of a number of units.”*

At the shopfloor entrance there were:

- 1) Employee Safety suggestion register – Total suggestions: 189. Completed: 149
- 2) Cost Reduction Suggestion Register
- 3) Quality Related Suggestions
- 4) Elec. Book Report

Inside there are 4 cascades. One person was working on 3 machines. 14 persons work per shift on 6 machines. 300 tonnes per month is produced while in ‘Shree Soaps’ which is a 3P, 150 tonnes per month is produced with 22 persons working in a single shift where there are 2 shifts a day, while the wages in the case of a 3P unit is almost less than half compared to the main HLL unit. There are 10 ARs in this unit.

Amlī – personal products (pp) factory

This unit of HLL was set up in 1998. It produces cream, lotion, shampoo and talc. The total number of workers in this unit is 325. Out of these 235 are permanent workers and the rest, that is, 90 are contract workers. There are no fixed term contract workers or temporaries. There are 30 officers and 4 managers. All the 90 contract workers are engaged in gardening, security, canteen and house keeping activities. The turnover of this unit is 20,000 tonnes / year, which comes to around Rs. 45 crores which is approximately ₹80.35 million. The management says that in this unit there had been a marked improvement in terms of technology in the sense that small sachets of shampoos had been introduced into the market that was considered more convenient compared to tubes and bottles of creams and shampoos.

A typical male worker in this unit falls in the age group of 28 to 32 years. There are no female workers in this unit. The average age of workers in this unit is 30 years. According to the management they do not have any attrition problem related to workers. The workers in this unit work in three shifts and in addition there is a regular general shift. All the workers are daily rated and thus they get wages for the number of days they work in a month. However, they are not paid for Sundays. The management has provided canteen facility for the workers in this unit and the food/meal is served at a subsidised rate and the workers pay Rs. 7 (₹0.12) per meal. Since, Employer’s State Insurance Scheme (ESIS) is not applicable to the entire region, Accident Insurance is provided to the workers by which the workers are compensated for accidents occurring at the workplace. However, contractors have to bear the cost of this insurance in such cases.

Workers are strictly prohibited to do overtime work in this unit. Recruitment in this unit is done mainly from within the geographical area of 20 to 25km of the factory.

A collective bargaining agreement for a period of 5 years has been signed with the workers by the management. However, this collective bargaining agreement has expired in the year 2002 and a new collective agreement is due, and the process of negotiation between the union and the management is on. The management later added that the previous LTS in Amli factory was signed for a period of two years, after which through negotiations with the union a new settlement has been arrived. The new settlement will be in effect for a period of three years.

According to the management the unit is trying to set up a learning centre for the workers where instructions would be given in local language that is, Gujrati. At present the management has provided training to the workers on Total Productivity Maintenance (TPM) at level 1 (there are 4 such levels) and it is practised on the shop floor. The management is planning to introduce level 2 of TPM.

Pune Tea export factory

This factory was set up in 1985 as LIPTON INDIA. Then after a few years it was called LIPTON EXPORTS. Finally in 1995, it was taken over by HLL .It produces tea bags and packed tea for export only. Till 2001 this factory was exporting to 5 countries only. Now, in the current year it is exporting to 18 countries. In three years the customer countries had more than doubled. Out of these 18 countries United Arabia has the largest share and Australia comes next. The sales turnover of this company is 2200 crores. This unit earned a net profit of Rs 213 crores (€3.8 m). In 2004, 3750 tons of tea bags were produced. This year they aim at 4100 tons. They say Arabia is likely to go onshore so they may loose some volumes. In this unit tea is also imported from other countries for blending, like from Indonesia.

The 'Constanta' machines that are used in the factory are very old machines (1934-1964), which they bought from Unilever. There are 65 such machines. In newer factories higher versions of this machines are used but internationally they are no longer used. From 1992 to 2001 there was no growth in the machines but since 2002 to 2005 there has been a significant improvement in the machines. About 70 containers of tea are produced per day in this unit. It is third largest in terms of machines and output for tea bags. Out of these machines, 40 machines are of one type and 25 machines are of another type. Out of these 4 machines produce tea for Arabia only.

There are 671 workers in this unit. Out of these there are 204 permanent and 467 fixed term contract workers. Until 2004 there were contract workers. But this year, there was a transition from contract to fixed term contract workers. The workers are employed either directly or by employment exchange. The management says wherever there are manpower intensive units; there should be no contract labour. The fixed term contract workers get an appointment letter every two months for reapplication.

Out of 460 fixed term contract workers only 40 are ITI trained, the rest are unskilled. All technicians are ITI trained. The fixed term contract workers are normally 10th pass and their basic pay is around Rs 2,600. 80% of the workers are Xth std. pass. 155 fixed term contract workers are Vth std. to IXth std. pass. Around 13% of the permanent employees are illiterate. 14 fixed term contract workers are ITI trained and 12 of them are graduates. There are 13 permanent workers who are ITI with Degree and 33 are SSC with ITI.

There are no women workers; consciously only men had applied for jobs. Some perceive that there is a policy for not recruiting women. However, the management claims that this is incorrect and that no such policy exists. According to the management, *“The Indian Legal system is iniquitous in terms of employment of women. Due to restrictions on work timings and nature of work we are not able to employ women in our factories, which run continuously across three shifts, and necessitates rotation of employees across three shifts.”*

Other than this there are contract workers for gardening, etc. 90% of the workers are aged between 26 and 30. Permanent workers are aged between 36 and 40. The fixed term contract workers are aged between 25 and 30. Permanent people work on the primary machines. Majority of the workmen come from nearby villages. There is a lunchroom for the workers where a caterer serves food. Food is not cooked in the factory. The canteen facility is available to fixed term contract workers also. It runs on no profit-no loss basis. There are three shifts plus one general shift in this unit. Every shift is of 8hrs. There is one lunch break and one tea break. Three people work on a single machine. There is one technician, one operator and one quality checker for each machine. All operators are non-ITI. The operator and the technician handle minor things. There are not many people in the general shift, only the maintenance technicians. The permanent workers can take loan. After 1992, there was no recruitment of workers. The fixed term contract workers get paid for overtime but according to some, the permanent workers do not. The management responded: *“It is generally avoided to hold employees back on overtime work however on account of exigencies if the workmen are held back on overtime they are remunerated at double the gross wage rate for the overtime period. This is legally permissible.”*

There is a union in this unit. It is affiliated to Sarva Shramik Sangatana (SSS) since 1988. In this union, the president of the union is external and not an employee of the Pune Tea Plant. This is quite typical of the Indian trade union scenario. The president or a general secretary is typically much more aware of the legal issues related to working conditions and thus makes the union much more effective from the workers point of view. SSS is headed by a woman trade union leader, which is not typical in India. Apart from representing HLL Pune Tea plant workers, SSS also represent workers from other than HLL plants.

The union is for permanent workers. There is no formal union for fixed term contract workers. The last Long Term Settlement was signed in Oct 2003. The Union Committee was changed in 2004. The settlement here was a wage revision settlement with the permanent workers. They had signed a wage revision in 2004. It was a 2-year wage

revision. The next is in 2006. Every month there is a meeting with the union. Workers mainly have a problem regarding the incentives. They feel that the payment is less compared to the service. Incentives are as per the table. Here, they have a concept of Overall Efficiency (OE), whereas in Dapada they follow Overall Equipment Efficiency (OEE). If a team of one technician, one operator and one quality officer make say 100 tons then they get an incentive. But the workers (54 people) had faced a problem regarding this and they went for GO SLOW- that is proportionate wages, say, Rs 100 for 100 tons. But now this is solved. There is no incentives scheme for fixed term contract workers. As far as medical facilities are concerned, a doctor comes twice a week and an ambulance is available for 24hrs. Training programme is conducted for them and study booklets are provided to them.

2P units in the supply chain

Alfa Packaging

This is a 2P unit of Hindustan Lever Limited, which supplies shampoos and hair oils in sachets to the company. Before the coming a second party unit of Hindustan Lever, this unit used to work for the company Ponds and once the company ponds was taken over by Hindustan Lever, it continued as a supplier to Hindustan Lever Limited. It started functioning in 1995. The annual turnover of this unit is Rs. 65 crores (approx. ₹1.5 million). HLL has no investment in this unit. It is an entirely independent unit.

There are a total of 258 workers and 9 officers in this unit. There are 6 women workers among these 258. Two of these women are in staff doing clerical work. There are 28 workers on fixed term contract. In addition, the contract workers are engaged in house keeping and loading / unloading work. “The list of the workers is not maintained as per seniority. As far as the nature of work is concerned, there is no difference between the fixed term contract workers and those of permanent workers”. All the benefits those are given to the permanent workers are also given to the fixed term contract workers. These fixed term contract workers are primarily recruited to meet the flexible product demand in the market.

The average age of the worker is 25 years. Most of them have completed their X standard in the schools and some of them have also obtained format vocational training at Industrial Training Institute (ITI). All these workers work in three shifts, 8 hours a day and in addition there is a general shift. The unit does not face any workers turnover problem as such, but in maintenance section, some of the workers have left. Because maintenance requires engineering skills and so once the workers gain experience, they get better offers from other units and thus they leave. Some of them keep moving from one unit to another unit as ‘circulating labour’. Also, since similar units have developed in the Northern part of India, the workers who had come to work from North have a tendency to go back homeward. According to the managers, as these workers develop skills they leave and join any 3P units in Northern part of India. In most cases, it does not required more than 6 months of experience for the workers to develop marketable skills.

For permanent workers the minimum salary is Rs. 3200 (approx. ₹6 per month) and maximum is Rs. 5000 (approx. ₹9 per month) inclusive of Provident Fund Contribution, House Rent Allowance, Dearness Allowance (Cost of Living Allowance) etc. There is a deduction of provident fund contribution from the wages and the employer contributes equivalent amount. They also get bonus, medical benefits and some Privilege Leave. The benefits are same for the fixed term contract workers. According to the managers, there are no temporary workers at the unit. There is a group health insurance policy, which the management is paying for. Earlier the workers were provided with vehicle loan (two wheeler), however, that particular facility has been withdrawn in the recent year. Although the numbers of women workers are very few in a total of 258, but according to the management, there is no discrimination. There is no canteen however a

space is provided for the workers to eat their foods, which they typically bring, from their home. There is one lunch break for half an hour and a tea break for 10 – 15 minutes everyday. There is overtime for male workers but no overtime work is given to women workers. Interestingly while going through the wages register, we observe that monthly overtime in this unit varies from 30 hours to 70+ hours for which the workers are paid on the basis of single rate rather than double rate which is required by the law. As it is getting these many hours of overtime work in a month itself is not legal.

HLL management responded to these findings as follows: *“HLL ensures strict adherence on Overtime rules and ensures double payment to its employees for OT [overtime] hours. The above observation by the researcher has been noted and the management will take up the same with the proprietor of the concerned 2P and recommend corrective action.”*

All women workers are formally vocationally untrained. There is some amount of absenteeism among workers due to marriages, school holidays of kids, etc. There are some training programmes conducted for the workers as per HLL guidelines for safety, etc. The workers here do not have a union. And according to the management they have never had any Labour Relations problems in the unit all these years since its inception. And no community or environmental programmes of any kind this unit has been involved in, but they do contribute every year towards local sponsorship etc. And sometimes when blood donation camps are set up, they do participate. There is always a routine interaction with HLL. There is one executive from HLL, who regularly check the quality of the products.

Slightly lower level of education among the workers is observed compared to the main units of HLL. The management says that the unit is growing volume wise. Sachets are the highest selling compared to bottles. Presently they have 8 sachet machines. That is, 8 sachets are produced at a time. But now they are trying to improve the machine efficiency and output. They are working on 24 sachet machines, which have been installed, but it is yet to be commissioned. The shopfloor was visited by the researcher and was found as quite clean but quite congested. They have also started the 5S programme, which is a precondition for the Total Productive Maintenance (TPM) in which many of the Hindustan Lever Limited Plants in Silvassa have developed expertise.

Global Healthcare Products

This 2P unit, which is in Dapada, is associated with HLL since 1998. The main brand that it produces is **Close UP** toothpaste. The annual turnover of this unit is Rs. 55-56 crores. There are 149 workers and 47 officers in this unit. Majority of the workers are Xth std. pass. There are 30 to 40 ITI trained workers. Only a few of them are below Xth std. pass. There are no contract workers. Since, five to six months there is no contractor. This unit has been chosen to export. They produce export quality toothpaste called **Mentadent**.



HLL helps them technically. Quality wise they say, HLL is of great help. When a group product is made say, HLL helps them by checking the quality and analysing. They have been awarded ISO-9000 certification. Unilever's senior management team has also made a visit to this 2P unit. Management says no accidents have ever occurred here since inception.

They do not employ any worker who is less than 19 years of age. There are no women workers but may be 5 – 10 years down the line they say, they might employ. The average age of worker is 24 years. The oldest worker by age is 34 years. The age of the youngest worker is 19+. They do not face worker's turnover problems. They have 3 shifts and one general shift. Working hour is 8. They have one lunch break and tea breaks. There is no canteen facility.

The minimum wage of a worker is Rs. 2,700 and the maximum is Rs. 3,600 which includes BASIC + DA + HRA. They have 7-paid sick leaves/ paid leave is as per remuneration. They are **monthly** rated. PF is deducted from their salary.

Education/training programme is conducted for the workers (regular classroom and on job training). A training calendar is maintained. There is a Technical Training Centre. The minimum level of education is X pass. They do not have a union and no collective

bargaining agreements are signed. There are no demands for collective bargaining as per management. No worker was ever retrenched. Since the beginning there is no concept of OT. Employment exchange is not that effective so they hire people as and when local people approach. This unit is sometimes involved in community / environmental programmes.

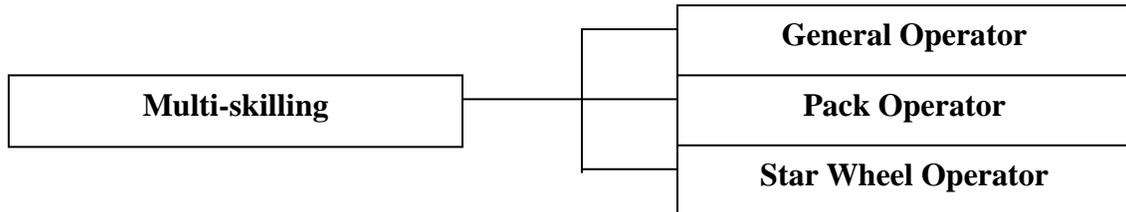
Right now there is no fixed amount that is produced by the unit. Right now there is less demand so some lines are not in use. As mentioned before they produce an export quality product called Mentadent. They consider it to be a privilege to produce an export quality product. In export quality product all the ingredients has to be mentioned, whereas in India, only key ingredients are mentioned.

This unit has only permanent workers. There are no temporaries or contract workers. Some of the workers who we interviewed said that they got this job through company advertisement and interview. Others said they got this job through some acquaintance like friends or any known person. The company had said that the average age of a worker is 24 years. Though the management says that the minimum level of education is Xth std. passed but a slightly lower level of education is observed among the workers. Most of the workers that we interviewed had come from other states like Uttar Pradesh and Rajashthan. They stay nearby and company has provided bus for them to commute. Wages in this unit are slightly higher than other 2P units. The minimum wage of a worker (of whom we interviewed) was Rs. 3,100/- per month (Gross which includes Basic + DA + HRA). There is Provident Fund (PF) deduction. The maximum wage (including DA and HRA) was Rs. 6,500/- per month. They are provided with other allowances like medical, paid leave, sick leave, and casual leave. They are given an attendance bonus of Rs. 100/- per month. Also, they get annual bonus. When the workers were asked what they would like to suggest to the company for their working conditions or their betterment, some of them said, “The Company should progress”. “Training for multi-skilling for operating on more than one machine is needed”, “Survival of company”, “salary should be increased”, etc.

There is no night shift allowance for the workers



The management says there are no contract workers but only under pressure they take contract workers. Right now there are no contract workers. There are 45 staff personnel including 5 managers. Annual increments of salary of the workers depend on inflation – increase in the cost of living index. It also depends on performance of the workers, which varies. It applies to everybody. There are 130 permanent workers and all are daily rated. Multi-skilling is practised here.



Aero Pharma (Silvassa) Inc.

This 2P unit is associated with HLL since 1999. Initially it was associated with LAKME. But when HLL took over LAKME in 1999, this has been a dedicated unit of HLL. They produce lipsticks, eyeliners, mascara, kajals and coloured cosmetics for the domestic market. They also export but very little quantity. They are the only manufacturers of these products for HLL. The turnover of this unit is 25 crores with excise. With these inputs, HLL generates a turnover of 65 crores, the difference consisting of for example marketing and sales expenses and HLL's profit margin.



This unit has 35 supervisors and 3 managers. The core team of management operates from Mumbai. There are 29 personnel workers. There are 160-170 production workers. Out of these 60 are permanent employees and the rest (say about 100) are temporaries. The temporary people are unskilled. They are mostly engaged in packaging. The permanent workers are trained. Training programmes are conducted for temporary workers also. They say that quality wise safety is important but operation wise not so much. This unit has women employees. Out of 160, 12 are permanent women employees. There are 2 women in the staff. They do not work for processing or stores. They are mainly engaged in packing. There are three shifts for men. Women work only in the general shift. The number of workers does vary from year to year. The maximum number workers they ever had were 210, and the minimum number workers they had were 70. They shortlist the workers in terms of experience and skills. They made 600 SKUs. They say planning is required for customisation. They say that at some level multi-skilling is required. Out of 60 permanent workers, some are multi-skilled. The average age of the workers is 26 years. They stay mostly in and around the villages. While recruiting them, education wise they insist on SSC. Permanent people are mostly SSC pass. They say the same Minimum Mandatory Standards (MMS) applies to this unit also as in other units of HLL. There is no union in this unit. But there are some representatives who negotiate with the management. They represent all the workers. There is a lunchroom but no food is cooked. They say that generally in and around Gujarat area, people prefer bringing their own lunch boxes. Each shift in this unit is of 8hrs and there is one lunch break and one tea break.

Bharat Cosmetics- Silvassa – Athal

This new 2P unit is associated with HLL since last year that is 2004 February. The owner of this unit is GLOBAL HEALTHCARE. It produces coloured cosmetics like face powder and compacts. The sales turnover of this unit for one year was 2-3 crores. In one year it had produced 15 lakhs (1.5 million) units of compacts.



There are 10 permanent workers and 12 fixed term contract workers in this unit. There are no women workers here. Most of the people are hired from in and around the area. Out of 10 permanent workers, 6 are ITI trained and 4 are non-ITI trained. The fixed term contract workers are non-ITI. The permanent workers are generally higher secondary pass (HSC) and the fixed term contract workers are SSC pass. An agreement was made with the fixed term contract workers. The permanent workers are all registered. The workers are daily rated with Rs 95 per day for both types of workers for 240 days. There is a leave of one day for every 20 days. Provident Fund deduction is for permanent workers only. There is only one general shift. The salary for only HSC pass and non-ITI people is Rs 2,700 and for ITI people it is Rs 3,100. Normally overtime is not required but if there is overtime then they are paid 2 times per day salary.

3P units in the supply chain

Shree Soaps and Chemical Industries

This unit was set up in Dapada about two years back. This is a 3P unit of Hindustan Lever Limited and has been associated with the company since past 1 and ½ years. In fact, this unit has its parent unit in Kandla in Gujarat, which is also a supplier to the Hindustan Lever Limited. The company it seems has encouraged the Kandla unit to start this unit in Dapada – Silvassa for Hindustan Lever Limited. The main activity of this unit is that of packaging of the *Surf Excel* sachets for Hindustan Lever Limited. Their annual sales turnover is Rs. 1.5 crores (approx. ₹67,000). The raw material or actual material in the form of powder is provided to this unit by Hindustan Lever Limited and this unit is ensured a certain amount of returns to convert (conversion cost) this material into final output by packaging. For this purpose, the company signs a formal official contract with the 3P unit. The company also gives a guarantee to the unit that certain amount of packaging work will be picked up by the company under any circumstances that is even if the company itself is not doing well. Since, similar packaging work is as well done by the workers of Hindustan Lever Limited within its plant, one tend to think that such an arrangement in effect is nothing but extension of the Hindustan Lever Plant. The unit has total work force of 47 permanent employees, which include in it two officers and the rest are the workers. The plant has been working in two shifts. There is no women worker in this unit. The unit has a total of 6 packaging machines, which are similar to the machines, which Hindustan Lever Plant has deployed for packaging of the Surf Excel sachets. The management says that though this is a small unit, safety-wise it is as good as the Hindustan Lever Plant. The researcher, however, tend to think otherwise.

The average age of workers in this unit is 23 years. Most of the workers are experienced before they come here. They have never faced any worker's turnover problems. Working hours are of 8 hours shift. They have a lunch break of ½ an hour. The minimum salary of a worker is Rs. 2,700 (approx. ₹48 per month) and maximum salary is Rs. 5,000 (approx. ₹89 per month) for permanent workers inclusive of Dearness Allowance (Cost of Living), Monthly Provident Fund Contribution, and Annual Festival Bonus, which vary between Rs. 2,500 (approx. ₹44) to Rs. 4,500 (approx. ₹80). They have 10 contract workers. The contract workers are paid Rs. 86.20 paise per day (approx. ₹1.5 per day). On an average a contractual worker earns Rs. 1,400 for 26 days with PF deduction (approx. ₹40 for 26 days with PF deduction). There is no canteen facility. They are provided with a water cooler and a place to have their lunch. They are provided with an alternative medical insurance policy in lieu of Employees' State Insurance Scheme (ESIS). There are monthly visits by a doctor. No serious accidents have taken place till date only minor ones do occur. Safety and quality training programmes are conducted for the workers. They do not have a union. The unit is involved in local community programmes during some festivities and has been sponsoring some of these programmes or in gifting small items like fans, to the local schools.

Yash Enterprises

This unit was set up in Khamgaon (Maharashtra). Mainly polishing and packaging of PEARS soap is done in this unit. The turnover of this unit is Rs. 80 lakhs. This 3P unit of HLL has 130 workers out of which 76 are permanent workers, 10 are contract workers and the rest are FTC workers, each on 6 months contract. There is no union in this unit.



The wage rate here is Rs 90/day with weekly off without pay. The maximum wage paid to a worker here is Rs 2,300 and the minimum is Rs. 2,100. The workers work in three shifts and one general shift. There are no women workers. The proprietor says that HLL has a policy not to hire women workers. No overtime work is done in this unit.

Corporate Social Responsibility

HINDUSTAN LEVER LIMITED'S OWN PLANTS

	PLANT 1			PLANT 2			PLANT 3			PLANT 4		
	PW	CW	FTCW	PW	CW	FTCW	PW	CW	FTCW	PW	CW	FTCW
Number of Workers	69	100-110	--	235	90	--	271	135	--	204	--	467
Hourly Wages	0.5	0.12	---	0.57	0.18	---	0.4	0.18	---	0.7	---	0.3
Daily Wages	4	1	---	4.6	1.5	---	3.3	1.5	---	5.6	---	3
Gross* Wages	6800* + (121)	1680* + (30)	---	5000* + (138)	2640* + (47)	---	5554* + (99)	2470* + (44)	---	9537* + (170)	---	4,951* + (88)
Presence of TU	AR	No	---	Yes	No	---	AR	No	---	Yes	---	No
Collective Bargaining Agreement	Yes	No	---	Yes	No	---	Yes	No	---	Yes	---	No
Women Workers	---	No	---	---	No	---	No	No	---	No	---	No
Provident Fund (PF)	Yes	Yes	---	Yes	Yes	---	Yes	Yes	---	Yes	---	Yes
Medical Facilities	---	No	---	Yes	No	---	Yes	Yes	---	Yes	---	No
Leave Travel Allowance	Yes	No	---	Yes	No	---	No	No	---	Yes	---	No
Working Hours	8	8	---	8	8	---	8	8	---	8	---	8
Over Time (OT)	No	No	---	Yes	No	---	Yes	Yes	---	OT For IT only	---	Yes but not for ITI
Night Shift A	No	No	---	No	No	---	No	No	---	No	---	No
Educ. Work	X th	X th or less	---	X th	X th or less	---	X th	X th	---	X th to XII th	---	X th to XII th
Training ITI/ Non ITI Male	Both	No	---	Both	No	---	Both	No	---	Both	---	Yes Both
Female	---	---	---	---	---	---	---	---	---	---	---	---
Child Labour	No	No	---	No	No	---	No	No	---	No	---	No
Weekly Off. W/O Pay	No	No	---	No	No	---	No	No	---	No	---	No
Dearness Allowance (D.A.)	Yes	Yes	---	Yes	No	---	Yes	No	---	Yes	---	Yes
Leave	Yes	Yes	---	Yes	Yes	---	Yes	Yes	---	Yes	---	Yes
	*Basic + DA	*Basic + DA + PF	---	*Basic + HRA + LTA	Basic + HRA	---	Basic + DA + HRA + PL + Other allowances	Basic	---	*Basic + DA + LTA + PF + Gratuity + Various Other Allow.	---	*Basic + DA + HRA + Bonus + Other Allowance + Benefit

For Abbreviations refer to page 30 Where * is Gross Wages +() Figure in parenthesis indicate wages in Euro. 1 Euro = 56 Rupees

HINDUSTAN LEVER LIMITED'S 2P UNITS

WAGES AND WORKING CONDITIONS

	2P-1			2P-2			2P-3			2P-4		
	PW	CW	FTCW	PW	CW	FTCW	PW	CW	FTCW	PW	CW	FTCW
Number of workers	258	--	28	149	--	--	60	--	100	10	--	12
Hourly Wages (in Euro)	0.2	---	0.16	0.2	---	---	0.2	---	0.2	0.21	---	0.18
Wages per day (in Euro)	1.9	---	1.3	1.6	---	---	1.6	---	1.6	1.7	---	1.5
Wages for the No. of days worked per month	3,200* + (57)	---	2,151* + (38)	2,700* + (48)	---	---	2,835* + (50)	---	2,795* + (50)	2,900* + (51)	---	2,470* + (44)
Presence of Trade Unions	No	---	No	No	---	---	No	---	No	No	---	No
Collective Bargaining Agreement	No	---	No	No	---	---	No	---	No	No	---	No
Women Workers	Yes	---	No	No	---	---	Yes	---	No	No	---	No
Provident Fund	Yes	---	Yes.	Yes	---	---	Yes	---	Yes.	Yes	---	No
Medical Facilities	Yes	---	Yes.	No	---	---	No	---	No	No	---	No
Leave Travel Allowance	Yes	---	Yes.	No	---	---	No -	---	No	No	---	No
Working Hours	8	---	8	8	---	---	8	---	8	8	---	8
Over-time	Yes Single Rate	---	Yes.	No	---	---	No	---	No	Yes Double	---	Yes Double
Night Shift Allowance	No	---	No	Yes	---	---	No	---	No	No	---	No
Child Labour	No	No	No	No	---	---	No	No	No	No	No	No
Weekly Off with / without pay	No	---	No	No	---	---	No	---	No	No	---	Yes
Dearness Allowance (D.A.)	Yes	---	Yes	Yes	---	---	No	---	No	Yes	---	Yes
Leave	Yes	---	No	Yes PL	---	---	No	---	No	Yes	---	Yes
Education of Worker ITI / Non-ITI	XII th	---	X th	X th	---	---	X th	---	< X th	XII th	---	X th
Male	No	---	Yes	Yes	---	---	Trained	---	No Trg. Initially	ITI (Not all)	---	Non-ITI
Female	No	---	No	No	---	---	--	---	--	--	---	--
	* FTCW Basic + DA + HRA + Other Allow. ** PW Basic + Bonus + PL + Med + LTA	---		* PW Basic + DA + HRA + Bonus + PL, SL + Some Spl. Allow.	---	---	* PW Basic + PF	---	* FTCW Basic + PF	* PW Basic + DA + HRA + Various other Allow	---	* FTCW Basic +

For Abbreviations refer to page 30

Where * is Gross Wages +() Figure in parenthesis indicate

wages in Euro. 1 Euro = 56 Rupees

HINDUSTAN LEVER LIMITED' S 2P UNITS

WAGES AND WORKING CONDITIONS

	3P – 1			3P – 2		
	PW	CW	FTCW	PW	CW	FTCW
Number of workers	47	10	--	76	10	44
Hourly Wages (in Euro)	0.3	0.1	---	0.16	0.16	0.16
Wages per day (in Euro)	2.3	0.8	---	1.3	1.3	1.3
Wages for the No. of days worked per month	3,850* + (69)	1,400* + (25)	---	2,200* + (39)	2,200* + (39)	2,200* + (39)
Presence of Trade Unions	No	No.	---	No	No	No
Collective Bargaining Agreement	No	No.	---	No	No	No
Women Workers	No	No.	---	No	No	No
Provident Fund	Yes	Yes	---	Yes	Yes	Yes
Medical Facilities	Monthly visit by Doctor	No	---	No	No	No
Leave Travel Allowance	No	No	---	No	No	No
Working Hours	8	8	---	8	8	8
Over-time	No	No	---	No	No	No
Night Shift Allowance	No	No	---	No	No	No
Child Labour	No	No	---	No	No	No
Weekly Off with / without pay	No	No	---	No	No	No
Dearness Allowance (D.A.)	No	No	---	No	No	No
Leave	No	No	---	No	No	No
Education of Worker ITI / Non-ITI	< X th	< X th	---	< X th	< X th	< X th
Male	Trg. provided	No	---	No	No	No
Female	--	---	---	---	---	---
	* PW Basic + HRA + Bonus	* CW Basic + PF	---	* CW Basic + PT + PF	* CW Basic + PT + PF	* CW Basic + PT + PF

For Abbreviations refer to page 30
wages in Euro. 1 Euro = 56 Rupees

Where * is Gross Wages +() Figure in parenthesis indicate

Abbreviations

I. Benefits		
1	DA	Dearness Allowance
2	HRA	House Rent Allowance
3	LTA	Leave Travel Allowance
4	PL	Paid Leave
5	SL	Sick Leave
6	CL	Casual Leave
7	PF	Provident Fund
8	PT	Part-time
9	OT	Over-time
10	NSA	Night Shift Allowance
II. Workers		
11	PW	Permanent Workers
12	CW	Contract Workers
13	FTCW	Fixed Term Contract Workers
III. Units (Plants)		
14	1	Athal Beverages
15	2	Amli PP Factory
16	3	Dapada Detergent
17	4	Pune Tea Export Factory
18	5	Khamgaon Plant
IV. Units (Subcontractors)		
19	2P – 1	Alfa Packaging
20	2P – 2	Global Healthcare
21	2P – 3	Aero Pharma (Silvassa) Inc.
22	2P – 4	Bharat Cosmetics – Silvassa – Athal
23	3P – 1	Shree Soaps and Chemicals Industries
24	3P – 2	Yash Enterprises

From the above table for the main plants, it has been observed that there is presence of external union in three of the four main plants while the other two plants have their own elected representatives called authorised representatives (ARs) for the permanent workers who negotiate with the management but there are no such representatives for the contract workers or fixed term contract workers. So, most of them are not aware of their social security benefits and there is no way to negotiate with the management for their rights. There is collective bargaining agreement signed for permanent workers but no such agreement for the contract workers or the fixed term contract workers. Again as the management says that the ARs represent the permanent workers in the two main plants, yet discussion with some of the ARs (who are permanent workers) reveals that they hardly have the time to have meetings and discuss their problems and hence raise issues. Management has suggested two AR's from each shift. This arrangement does not allow them any meeting relating to working conditions.

From the above table of the main plants, it is seen that there is a significantly higher differential in the wages of the permanent workers and the contract workers in the main plants of the multinational corporation. Also, it has been observed through interviews that in the main plants, recruitment is more formally done compared to the 2Ps and 3Ps. These facts could be attributed to the presence of unions in these plants. In addition, the

unions may have pressurised the management to comply with the labour legislation for wages and other benefits. This may be the 'reason' for the unwritten policy of these plants to hire more contract workers and/or fixed term contract workers than permanent workers. Also, multi-skilling is practised in these main plants where a group of three or more workers is made to operate on more than three machines (multi-machine operation). Also, Total Productive Maintenance (TPM) is enforced in these plants. So, the contract workers and the fixed term contract workers end up doing the same job as that of permanent workers but are paid less as they are officially not permanent workers. Also, we see from the above table that there is a marked absence of women labour in the main plants.

As shown in the tables above, a typical 2P subcontracting unit in the supply chain of the multinational corporation plant hire/engage three different types of workers. These are permanent workers, contract workers and fixed term contract workers. On the basis of our discussion with the employer/management and also on the basis of our reading on the subject of labour markets, we would like to say that this arrangement is claimed to be made in order to meet the flexible nature of the product markets. In addition, the nature of work also contributes towards the division of labour depending on the skill requirement at work. However it would not be completely wrong if we interpret this kind of flexibility of labour as an attempt by the employer/management to reduce the labour cost content in the production cost. As can be seen in the tables, permanent workers typically get somewhat higher wages than the contract workers.

During our interaction with the women workers in the 2P units, it was observed that they were less aware of the social security benefits that they are entitled to. They are not provided with any maternity benefits. Also, some of the male contract workers who were less educated (< VIII std.) were also not aware of their social security benefits. We also found that though there is hardly any difference in the nature of work between the permanent workers in the main plants and the 2Ps, yet the 'so called' permanent workers in the 2Ps do not receive any formal letter of appointment by their employers.

We know that in the 3P units, production is done only for the main employer, where they are supplied with all the materials by the employer. Only peripheral activities like polishing and packaging is done in these units. For this they are assured a return within the conversion cost. As these units are very small and also the number of employees is few, therefore, chances of exploitation in these units are very high. As we can see in the above table for the 3P units that the wages of these employees are much lesser compared to that of the wages of workers in the main plants. But hours of work are similar to those working in the main plants.

So, we see that in both the 2Ps and the 3Ps, since the workers do not have a union or any body to represent them, there are higher chances of exploitation – a complete 'hire and fire' policy can be easily followed in such units. So, we see that there is no job security or any significant social security benefits for these workers.

From the above table of 3P supply chain of the multinational corporation, a much lower level of education has been observed between both types of workers. It was also observed that there were no women workers in any of these units. For example, in one of the visits to a 3P unit, the proprietor says that ‘ this MNC has a policy not to hire women as workers’. But we know that there is a significant number of female labour in rural as well as urban areas in India. The management in one of the 2p unit says that they look for ITI trained people and women are not ITI trained so they are not hired. But it was observed in the field that many male workers who were not ITI trained were also hired. Also, some or most of the people in the 2P and 3P units are normally recruited through informal sources. Women workers were found in only two 2P units. All of them were permanent workers. There were no differences in the salary between the male and the female workers as such but most of the women were not aware of the social security benefits or the maternity benefits that they should be entitled to get along with their salary.

Our interviews and discussions with the various managers and union leaders from different large companies indicate to us that typically the plants end up circumventing the statutory laws which restrict lightly the contract workers or the fixed term contract workers to work on the tasks which are perennial in nature and which should by law, be done by the permanent workers.

According to HLL management, *“This may have been a general observation in other companies. HLL has no data to support/reject the above claim. However with regard to HLL, contract labour employment is ensured in line with the statute.”*

Conclusions

Our study on CSR of a subsidiary of a transnational company in its own plants and the supply chain has the following findings:

- a) HLL is a signatory to the UN Global Compact, which makes it voluntarily comply with the workers social security and working conditions not only in its own plants but also in its supply chain. The company's supply chain network includes in it 2P and 3P units. The former ones are relatively independent in its business dealings with the HLL while the 3P units are almost completely dependent on the company. A typical 3P unit works for the company on the basis of only conversion costs involved in packaging or polishing the company's product for which the raw material is supplied by the company. It seems it allows the owner of the 3P unit to squeeze maximal from the labour to the extent of probably exploiting by making them overwork and by paying very minimal wages devoid of any social security benefits.
- b) HLL has been signing a contract with the suppliers, but it largely deals with other than labour matters. We also feel there is no follow up based on the information gathered in these contracts in the supply chain units. Typically, HLL's executives who are stationed in 2P and 3P units do not consider worker's working conditions as an important matter and thus hardly try for worker's rights enforcement. HLL claims that it obtains a Positive Assurance from the 2P and 3P units regarding compliance with Unilever's Code of Business Principles and statutory regulations, and indicates it will recommend corrective action for a violation discovered in this study. However, the company's approach to manage labour issues in the supply chain has been passive and still lacks credibility.
- c) Though there is not much difference in the wages of the contract workers and the fixed term contract workers between the main plants and the supply chain units, we see that there is a significant difference in the wages of the permanent workers between the main plants and the supply chain units (2Ps and 3Ps). Wages and the working conditions are much better in HLL's own plants compared to that in 2P and 3P units. For workers in the 2P and 3P units, wages might not be considered fair. HLL does not disagree with these findings, but emphasises that the 2P and 3P units are distinct legal entities and that remuneration in these units is governed by industry norms and legal Statutory Minimum Wages. The management explains that within the Statutory framework, remuneration is a variable of "Region cum Industry norms and Capacity to Pay", and as these two elements differ for HLL's own plants and the 2P and 3P units, the remuneration may differ. Apparently, when outsourcing production, HLL does not assume responsibility to ensure that suppliers have sufficient capacity to pay wages and benefits comparable to those in HLL's own plants.

- d) Our results show that the unions are present only in HLL own plants and not in its supply chain units of 2P and 3P. The Pune Tea factory union and Amlī factory workers' union are the two actually free and independent unions and are registered with the Registrar of Trade Union under the Trade Union Act of 1926. The workers' representations in Dapada and Athal are actually no real trade unions. However, there is some variation within the AR system as well. Largely during the initial period after the establishment of the plant/factory, the ARs as the union committee members were supported or appointed by the management in all the plants except at the Pune factory. Yet in some of the HLL plants in Silvassa, for example at Amlī, the ARs have become relatively effective in protecting the working conditions through negotiations, as they are a registered union with its own constitution and members. HLL management emphasises that it respects the right of its employees to unionise and collectively bargain in its units, that the choice of forming an association finally rests with the individual himself and that the company does not come in the way of workmen forming unions and associations.
- e) Our results also indicate that the presence of union acts as a pressure on the management to comply with the fundamental labour rights to a significant extent.
- f) Typically in all the units, the workers can be classified as permanent workers, contract workers and fixed term contract workers. But we found out that in some of the units, though there is not much difference in the nature of work between the permanent workers and the contract workers or the fixed term contract workers, we see that the contract workers or fixed term contract workers do not have any significant job security. HLL does not deny these facts but points out that this is permitted by law and in line with statutory regulations.
- g) In none of the main plants of HLL, women workers are recruited. Though in two of the 2Ps, there were women workers working as permanent workers. There were no women workers in either of the 3P units. According to the management, this is because of the continuous work shifts and not the result of an explicit policy.