

# Tackling Labor Exploitation in the Construction Sector in India

## CONTEXT

The construction industry is the second largest employer in India, currently employing 51 million workers.<sup>1</sup> Internal migrants make up a significant portion of the labor force, with millions migrating each year from rural areas to cities such as Delhi and Bengaluru. It is estimated that approximately 30-50 million rural workers migrate to India's cities annually for jobs in the construction industry.<sup>2</sup> These migrant workers typically enter the sector at the bottom of a long and complex hierarchy of industry actors.

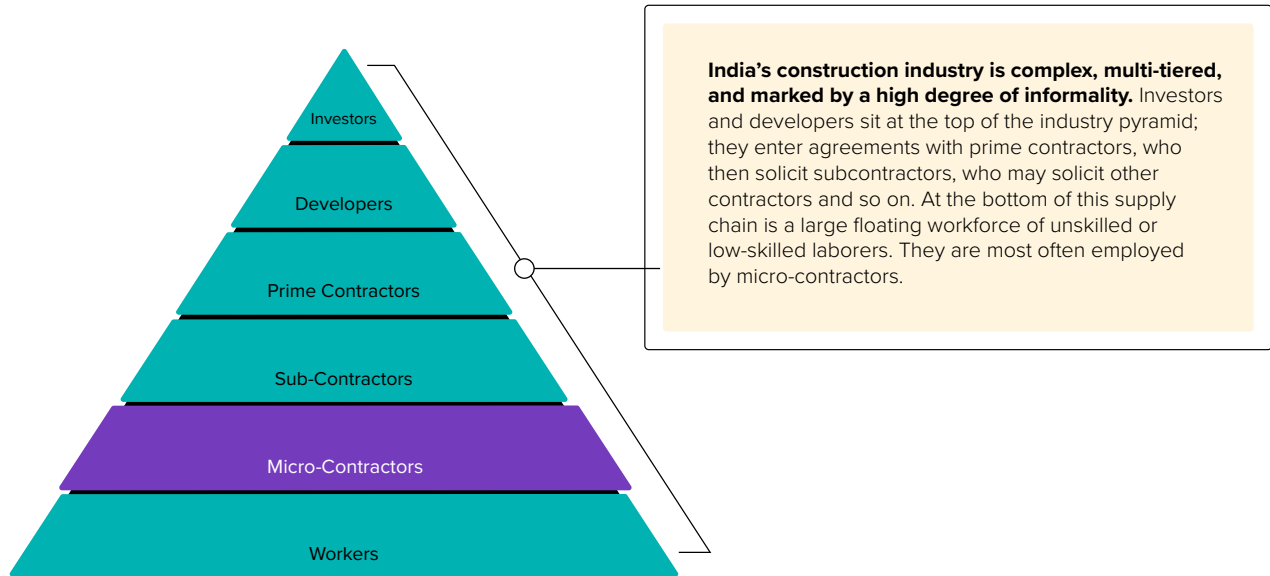
Construction work offers an opportunity for the rural poor to earn more income, especially during agricultural off-seasons, but also carries significant risks of labor exploitation. Transient and highly dependent on daily wages, construction workers are particularly vulnerable to exploitation. A [large-scale worker voice study](#) with over 17,000 migrant construction workers, supported by the Global Fund to End Modern Slavery (GFEMS) in 2019-2020, found that approximately 30 percent of respondents experienced some form of forced labor risks, including restrictions on movement and threats to themselves or their families.

India's construction industry is complex, multi-tiered, and marked by a high degree of informality. Investors and developers sit at the top of the industry pyramid; they enter agreements with prime contractors, who then solicit subcontractors, who may solicit other contractors and so on. At the bottom of this supply chain is a large floating workforce of unskilled or low-skilled laborers. They are most often employed by micro-contractors.

While developers and large contracting companies exist at the top of this hierarchy, it is most often "micro-contractors", or employers of small teams of construction workers (less than 50 workers), who are the first point of contact for migrant workers. **Micro-contractors are often migrant workers themselves** who then are able to employ their own small teams. Micro-contractors are typically contracted by a higher-level contractor or a developer. Large contractors outsource much of their work to these micro-contractors and their teams, thus workers have little direct relationship with higher-level contractors or developers. Micro-contractors therefore are frequently the first point of contact for migrant workers on a construction site and have direct influence over work hours, payments and wages, and other working conditions.

<sup>1</sup> Government of India. Invest India website: <https://www.investindia.gov.in/sector/construction>

<sup>2</sup> McKinsey Global Institute. (Reinventing Construction: A Route to Higher Productivity). February 2017



This brief provides insight on the nature of the relationship between micro-contractors and workers and concludes with recommendations for government, industry, and civil society organizations on how to improve working conditions and reduce vulnerabilities for migrant workers in India's construction industry, including through more support for micro-contractors.

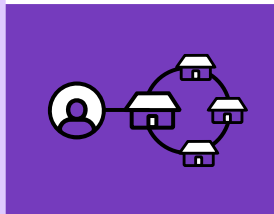
## Key Learnings:

### For both micro-contractors and migrant workers, recruitment is an informal process wherein social and community networks are the primary recruitment channels

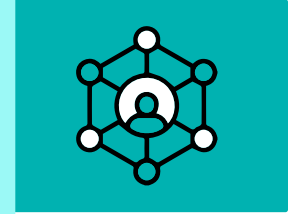
Interviews with both migrant workers and micro-contractors indicated that the recruitment process for construction jobs is largely informal. Aspiring migrants typically reached out to other current or former construction workers in the cities where they were seeking opportunity.

Fifty-six percent of workers who got work with the help of a contractor reported that the contractor was from their own village or a neighbouring village. Further, 75 percent of workers noted that contractors typically reach out to family and social networks to recruit workers.

**56%** report that the contractor who helped them get work was from own or neighboring village



**75%** of workers report that contractors recruit through family and social networks



## Global Fund to End Modern Slavery

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*I am working with 10 people in the village here. So, the people in the village know that I have taken them to work. So, if they need work, they will call me. If I need, I will call them. [Micro-contractor, Delhi, typically works for contractors]*

While social and community networks served as the primary recruitment channel for both workers and micro-contractors, these networks also influence decisions to work with a particular micro-contractor. For example, if a migrant worker is paid on time and at a decent rate, then others in that worker's social and community networks, encouraged by positive reports, seek out job opportunities with that same micro-contractor.

*If a boy from my village had worked under me and when he goes to the village, he would tell others that he had worked for me, and I used to give him money for food and I paid his wages on time. He would tell them that he worked under me for 1-2 years and he would convince others to come with him for work. [Micro-contractor, Delhi, typically works for developer]*

While shared language and ease of communication informed this preference, micro-contractors also indicated a greater level of trust in workers from their same communities.

*No one trusts labourers from other places. If I give you Rs 20,000 and you run away, where I will find you? There are agents who promise you workers and take advances from you and then will switch off their phone. A lot of scams happen. If you run after them, your work will go to another contractor. [Micro-contractor, Delhi, typically works for other contractors]*

## First time migrants are more vulnerable to labor exploitation

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Over ninety percent of surveyed workers had made more than one migratory movement for work— 20 percent of workers had made six or more migratory movements to date. Migrant workers faced more difficulties during their first migration than later migration. They knew less about working conditions before starting work in their first location than in their current one (44 percent vs 61 percent). At their first worksite they were less likely to be given safety equipment, experienced more wage discrimination, and experienced more verbal and physical abuse.<sup>3</sup>

## Migrants lack written contracts and hold debt

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Almost no migrant worker had received a written contract (0.4 percent), though most workers interviewed reported that their expectations regarding work type and wages had been met. **The near total lack of formal contracts is a breach of core principles for preventing forced labor.**<sup>4</sup>

Approximately one-third of workers reported receiving cash advances from their employer before starting work, largely to cover costs of travel to the work site or family expenses. The workers did not indicate having to pay any money for securing the job at the destination site and reported that advances were used to cover travel and personal expenses at home and destination. Those who took cash advances indicated they repaid or were repaying the advance through wage deductions or by working overtime.

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<sup>3</sup> Analysis by gender and geography can be found in the [full report](#).

Analysis from previous [GFEMS-funded research](#) with migrant construction workers revealed worker debt as one of the strongest predictors of forced labor among migrant construction workers. Within that study sample, debt owed to an employer was significantly correlated with all forced labor indicators – indebted workers face considerably heightened risks of exploitation.

Just five percent of workers reported one paid rest day per week, and three percent were given one unpaid rest day per week. Interviews revealed an average monthly earning of Rs 11,200, which implies that most workers were paid below the legal minimum wage.<sup>5</sup> Female workers reported average earnings of Rs.8000 per month.<sup>6</sup>

Moreover, distinctions between men and women were apparent in basic amenities they were able to access. For example, a larger proportion of male workers than female workers reported access to safety equipment, drinking water, and a toilet facility on site.

### Access to basic amenities, by gender

	Safety equipment	Drinking water	A toilet facility	Support from employer in cases of occupational health problems
Male	93%	99%	97%	73%
Female	73%	86%	62%	28%

### Exploitation has a trickle down effect: nonpayment or delayed payment passes from micro-contractor to migrant worker

Regardless of who sourced them, micro-contractors described the working relationship as informal. Generally, micro-contractors reported there was no fixed duration nor fixed payment schedule. Nor did micro-contractors enter into formal written agreements with the companies and contractors who hired them.

“We don’t get any contract. The builder files a tender and when his site is finalised, he calls us. They give food expenses and transportation, and we go there. I just bring the labour and it depends. We work as long as we are there and there is no contract. The engineer, GM tells us that this is what needs to be done and we do it. There are no terms. [Micro-contractor, Delhi, typically works for developers]

Micro-contractors reported delayed payments as one of the primary constraints in paying workers on time. Given the informal nature of the labor supply chain and the frequent absence of written contracts, micro-contractors have little recourse if the company that hired them delays payment. Without enough working capital to fill the gap, micro-contractors are then unable to pay the workers they contracted.

<sup>4</sup>General principles and operational guidelines for fair recruitment & Definition of recruitment fees and related costs. International Labour Office. Fundamental Principles and Rights at Work Branch, Labour Migration Branch. Geneva: ILO, 2019

<sup>5</sup>Using minimum wage ranges of Rs 12,241–13,671 in Karnataka and Rs 16,506–20,619 in Delhi.

<sup>6</sup>Male and female averages are not directly comparable since male and female workers were employed in jobs of varied required skill levels.

*“The difficulty that we face that is that money is not paid on time. If the worker has done the work and he is not paid on time and if there is an emergency, he calls me. Even I am not paid by the company, the labourer won't work, and this leads to the labour force breaking. If we get the money on time, I won't face difficulties and I would be able to pay my labourers and they will work happily. [Micro-contractor, Delhi, typically works for other contractors]*

## Migrant workers and micro-contractors have limited awareness of social welfare benefits

Each state in India has established a Construction Workers Welfare Board to provide social welfare benefits such as health insurance, education or child care support, or compensation for workplace injury or death.<sup>7</sup> However, interviews with migrant workers revealed that just 28 percent had even heard of the Boards. Only five percent had registered for benefits. Nor were most micro-contractors aware of the Boards. Even for those micro-contractors who had heard of the Boards and understood them to offer some benefits, there was still limited awareness on how to register. Notably, more male workers than female workers had heard about the construction workers welfare board (32 percent vs 17 percent).

*“I don't know a lot about it [Construction Workers Welfare Board]. I have been wanting to get it [register with the board] done for long, but I don't know whom to ask. Sometimes when the company doesn't pay up, I don't have the option to challenge them. Had I been registered, I could approach the board. [Micro-contractor, Bengaluru, typically works for developer]*

[GFEMS-funded research](#) found that receipt of social welfare benefits has a protective effect for migrant construction workers. Results showed that workers who received entitlements were between 10 percent and 25 percent less likely to experience forced labor risks than those who had been registered for, but had not yet received any benefits. Accompanying qualitative insights highlighted how these benefits, including their Building and Other Construction Workers (BOCW) cards, were critical to secure basic food and shelter during the heightened insecurity and distress caused by the COVID-19 pandemic.

## Many workers and micro-contractors believe that ethical labor practices are not feasible

When asked about their perceptions about specific recruitment or labor practices, workers demonstrated limited belief in the feasibility of micro-contractors to adhere to ethical recruitment and workplace practices.<sup>8</sup> While most migrant workers and micro-contractors agreed that ethical labor practices centered on on-time payments and workplace safety, thirteen percent of workers also indicated that it was not feasible for micro-contractors to pay wages on time. Over 90 percent of workers felt it was right to get written contracts but nearly 40 percent of workers also reported it was not feasible. Only ten of twenty-five micro-contractors interviewed agreed that written contracts were both necessary and “the right thing to do.”

Further, a notable percentage of both workers and micro-contractors expressed that it was acceptable for an employer to retain a worker's personal documents. Nearly half of migrant workers interviewed agreed that the employer should hold onto their personal documents while nine of 25 micro-contractors indicated it was “the right thing to do”. These micro-contractors justified retention as a means of deterring workers from cheating them.

<sup>7</sup>Details for states covered in this study are available at: <https://bit.ly/3jk8Par> and <https://bit.ly/3BVVwDI>

<sup>8</sup>See for example, ILO. “Developing the Construction Industry for Employment-intensive Infrastructure Investments: Guide” 2019. Geneva: International Labour Organization Institute for Human Rights and Business (IHRB). “Dhaka Principles for Migration with Dignity” 2012. Available at: <https://www.ihrb.org/dhaka-principles/>

## There were notable differences by gender in attitudes around worker rights

### On-time payment was right but not feasible to do



### Contractors should not pay less than the promised wages to workers



### Contractors should not retain personal documents of workers with them



## RECOMMENDATIONS:

This study presents a more comprehensive depiction of the labor supply chain in India's construction industry. Micro-contractors, while the first line of supervision for many migrant workers, are also directly responsible for migrant workers' wages and working conditions. Raising awareness on ethical recruitment and employment practices and training micro-contractors on fair labor practices will enable micro-contractors to advocate for and protect their own rights. This will likely have a trickle down effect, positively impacting migrant workers who are directly employed by micro-contractors.

### For Government

#### Establish, disseminate, and monitor standards for ethical recruitment and employment

While international frameworks define ethical recruitment and lay out methods for assessing compliance, the Government of India should develop national standards for ethical recruitment and ensure all state governments and industry stakeholders- from migrant workers to micro-contractors to investors- are aware of these standards. The government should set up systems to monitor for compliance with these standards and establish and enforce penalties for non-compliance. Integral to the development, establishment, and monitoring of standards is inclusion of worker and survivor voices.

#### Increase Registration and Access to Entitlements

Construction Workers Welfare Boards, despite being explicitly established to provide benefits to construction workers, are underutilized by workers and micro-contractors. Government, especially at the state level, should take action to ensure more workers- both migrant workers and micro-contractors- are aware of the Boards, the benefits they offer, and how those benefits can be accessed. As requirements vary by state, state-level officials should lead both in implementing awareness-raising activities and conducting registration drives so that all those that are eligible are aware of benefits and registered to access them. Civil society organizations can facilitate registration drives on construction worksites, labour chowks, and in settlements where construction workers live.

## For Industry Stakeholders (Developers)

### Developers should require written contracts with all subcontractors and their employees

Developers can support large, medium and micro-contractors in their supply chain with process requirements and guidance on documentation including the issuance of formalized work orders, provision of uniform payment terms and standardized wage cycles etc. These top-down measures to alleviate some of the constraints faced by micro-contractors also should include processes to improve the transparency of their value chain by incentivizing contractors to share robust data on their workforce, provide support for workforce management, and drive policies on ethical labor practices including supplier code of conduct, minimum standards for working conditions on sites, terms of employment, and grievance and redressal mechanisms etc.

## For Civil Society Organizations (CSOs)

### CSOs should target first-time migrants and micro-contractors as key entry points

Civil Society Organizations supporting workers rights should target aspiring and first-time migrants due to their higher level of vulnerability. Multi-media channels and helplines can provide information about available protections and benefits and connect workers to support services. Migrant resource centres in locations with significant migrant populations can be established for localized services.

## Learnings from GFEMS Interventions with Micro-contractors in the Construction Industry

GFEMS has previously supported interventions with micro-contractors in the construction industry in India. Learnings from these programs to date show that addressing systemic constraints faced by micro-contractors has the potential to generate tangible and positive effects on worker welfare.

Between 2019 and 2021, GFEMS partnered with Pratham and Sambhav Foundation to provide over 570 micro-contractors in Delhi NCR with training on ethical treatment of workers (including workplace safety, anti-trafficking training, on-time wage payment, non-discriminatory employment practices etc.) and on technical skills for business development (such as digitizing their payment transactions, developing accurate quotes for work, formalizing business contracts etc.), with the aim of developing employment conditions that are both non-exploitative for workers and beneficial for contractors. During the project period, over 3,000 workers were employed with these trained micro-contractors.

A large-scale research study run simultaneously to this project found that migrant workers who were employed under trained micro-contractors faced lower forced labor risks than workers in non-intervention groups. Workers employed by trained micro-contractors expressed a desire to stay on with these employers as they had taken steps to create safe and equitable work environments, including ensuring on-time wage payments, providing safety equipment for risky jobs, and helping meet essential needs such as food, accommodation, and childcare at construction sites. Respondents emphasized that these conditions stood in contrast to their previous employment experiences that were characterized by irregular or withheld wage payments, coercive and violent attitudes, and a lack of leave days or advances even in case of emergencies. Notably, women working for trained micro-contractors highlighted the non-discriminatory practices employed in the workplace. Unlike their previous experiences

in the construction industry, they were now paid separately from their spouses and at an equal rate. The trained micro-contractors internalized the concept that fostering ethical relationships with workers contributes greater value for both themselves and their workers. They further confirmed that technical and business practice training allowed them to formalize their work agreements and develop more secure contracts with clients to avoid payment defaults, enabling them to pay their workers on time and yielding positive outcomes with worker retention and productivity.

In 2021, GFEMS partnered with Sattva, Labournet, and Kois Invest to expand its micro-contractor-focused programming in India by providing a cohort of 250 micro-contractors (who employ approximately 2,500 workers) in Bengaluru and Delhi NCR with a suite of support interventions including access to low-cost working capital loans, work orders, ethical entrepreneurship training, as well as connections to responsibly sourced workers. A quasi-experimental research study is currently underway to assess the effectiveness of this project, specifically, to determine whether receiving accessible financing can help change micro-contractor behavior and improve working conditions for migrant workers. Preliminary learnings emerging from the program are promising. Midline findings point to a lower prevalence of deception, wage withholding, lack of overtime compensation, and delayed payments among micro-contractors who were provided with all four program interventions. The majority of micro-contractors engaged by the project also reported that the interventions have helped them to formalize and grow their business, and improved their understanding of ethical labor practices.

## METHODS

Research to support this brief was conducted by Population Council with support from the Global Fund to End Modern Slavery (GFEMS) and the Norwegian Agency for Development Cooperation (Norad). Population Council conducted a mixed-methods research study engaging both migrant workers and micro-contractors in India's construction industry. After conducting mapping exercises that identified 176 construction sites, the research team purposively selected<sup>9</sup> six sites in Delhi NCR region and Bengaluru, two major urban destinations for rural migrants. Semi-structured interviews were conducted with 236 (69 female, 167 male) migrant workers and in-depth interviews with 25 male micro-contractors through convenience sampling, that is, depending on their availability and willingness to participate in the study. Data was collected between June and August 2022.

This research should be considered with some limitations in mind. Work sites were purposively selected and do not comprehensively cover all construction sites in Bengaluru and Delhi – findings from the study cannot be generalized to the construction industry in Bengaluru and Delhi. Both workers and micro-contractors were conveniently selected and Hindi-speaking— findings cannot be generalized for migrant workers from different states and regions. As interviews were done face-to-face at work sites, both workers and micro-contractors may have given socially desirable responses to questions related to difficulties experienced.

<sup>9</sup> Details on criteria for site selection can be found in the [full report](#).