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The Two Indian Welfare Systems: State & Corporate Responses

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Abstract:

This paper examines the dual welfare system in India and the role of corporations as providers of social protection. The aim is to ascertain who is driving and providing social security, education, and health to informal and formal sector workers and their families. It further attempts to illuminate why corporations are taking steps to address some of welfare needs of the greater population as part of their corporate social responsibility programmes. Theoretically, this paper analyses India’s welfare provision through the theoretical lens of a dual welfare system and insider/outsider literature. It is argued that the formal and informal labour sectors in India are representative of two different welfare systems: the formal sector welfare system, comprised of ‘insiders’, and the informal sector welfare system, composed of ‘outsiders’. This welfare dualism is largely created along the lines of social security measures, which primarily define access to benefits based on the type of work establishment and the number of employees. The findings reveal that corporations are providing social protection to informal sector workers as part of their corporate social responsibility (CSR) initiatives, in the form of education and health schemes, but they are not compensating for the dearth of Government welfare provision because of a moral imperative to ‘help’. We hypothesise that corporations are, in fact, providing social initiatives for their own corporate benefit. It is economic realism, not moral imperative, that is driving CSR in India.

Acknowledgements:

I would like to kindly thank Martin Seeleib-Kaiser, for all his helpful comments and support, whilst developing and writing my MPhil thesis from which this paper is based upon.
Introduction

India’s provision of welfare is a tale of two systems. The vast majority of the labour force in India does not have access to Government provided social security (van Ginneken 1998, Papola 2007, NCEUS 2007). The minority, consisting of those working in the formal sector, benefits from Government social security schemes (Guhan 1998, van Ginneken 1998, Agawala et al. 2004). These schemes ensure that formal sector workers have adequate social protection against contingencies. By contrast, this protection does not exist for the majority of workers who constitute the informal sector; there is therefore no such Government-run social security for the greater part of the informal sector labour force in India (van Ginneken 1998, NCEUS 2007). It is clear, then, that the formal and informal labour sectors are representative of two different welfare systems: the formal sector welfare system and the informal sector welfare system. The formal sector welfare system provides for approximately 7 per cent of the total labour force in India; its provision is the Government run social security schemes mentioned above. In addition, many workers from the formal sector are also able to afford to opt-out of the failing public health and education systems, thereby forgoing aspects of Government welfare provision. In stark contrast, the informal sector welfare system provides for the approximately 93 per cent of the Indian labour force that makes up that sector, who have drastically reduced access to Government social security schemes and must rely upon poor publicly provided health and education services.

By any comparative international standard, the Indian economy has grown rapidly and consistently since the economic reforms at the beginning of the 1990s (Mukherji 2006, Kumar 2007). In addition, much has been written about India’s economic development and its potential as an ‘emerging giant’ (Goldman Sachs 2003, Business Week 2005, Panagariya 2008). However, a relatively high economic growth rate coexists with immense deprivation and extensive social problems (Dreze and Sen 2002). In comparison to other BRIC countries, India lags behind across the board with respect to life expectancy, adult literacy, and combined primary, secondary and tertiary education enrolment (see Table 1). Evidence suggests that in order for a country to maintain economic growth, it needs to develop and expand its basic welfare provision with respect to social investment, in particular basic education and health care (Dreze and Sen 2002, UNDP 2003, Mukherji 2006). However, in examining the welfare structure in India, Gough (2004) draws attention to India’s poor levels of welfare and below average public expenditure on health and education in comparison to other developing nations, as well as a limited influx of foreign aid to the country. Given the huge gap in social security provision between the formal and informal sector welfare systems, as well as poor levels of health care and educational attainment, and the low levels of public expenditure and limited foreign aid (Gough 2004, Farrington and Deshingkar 2006), it is clear that India’s exciting potential for economic growth is in danger of being curtailed by a lack of welfare provision and social investment.

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1 The informal sector welfare system refers to Government provided welfare offered to informal sector workers, not ‘informal welfare’ that which is provided by the family or community.
Private corporations in India are taking steps to address some of this shortfall as part of their corporate social responsibility (CSR) programmes by providing education and health initiatives to informal sector workers and their families. However, according to insider/outsider theory (Doeringer and Piore 1971, Piore 1975, Lindbeck and Snower 1988, 2001) and occupational welfare literature (Rein 1982, Fransworth 2004, Greve 2007, Seeleib-Kaiser and Fleckenstein 2008), it is unusual for private corporations to step in and address the welfare needs of the greater population. Traditionally, corporations act in the interests of their shareholders, by seeking to make profits and sustain growth, and in the interests of their workforce, by providing employee benefits such as pensions or access to private health schemes. Those corporations in India which have engaged in the provision of social initiatives for the wider community, especially for those largely unprotected workers who fall into the informal sector welfare system, are operating in an essentially different fashion to how such companies might be expected to act. The key questions to be addressed are therefore: Who is providing and driving social protection in the formal and informal sector welfare systems in India? What is the role of corporations in driving social protection in the form of health and education provision in the informal sector? And, lastly, why are corporations engaging in such provision at all?

This paper attempts to answer these questions, firstly, by comparing the present state of the formal and informal sector welfare systems in India, and secondly, through analysing the corporate education and health initiatives on offer. In the following section, I present the concept of a dual welfare system and apply the insider/outsider model of labour market exclusion to this notion, highlighting the inequalities between those that can afford and have access to private social protection benefits, welfare insiders, and those who are excluded, or who receive very limited coverage, welfare outsiders. Subsequently, this theoretical lens is applied to the Indian case and social security, health, education, and occupational welfare are analysed, ultimately drawing attention to the vast inequalities that exist between the two welfare systems. In the second section, corporate social initiatives are defined and the findings of this analysis are presented. Following, the role of private sector corporations in driving social protection in India

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2 As established by the Government of India under Prime Minister Nehru, State-owned public enterprises traditionally provide social initiatives to informal sector workers (see Dutt 1990, Mahajan 2001). Therefore, this analysis will only examine the social initiatives of private corporations.

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Table 1: Human Development Index of BRIC Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI Value 2006</th>
<th>Life expectancy at birth (years) 2006</th>
<th>Adult literacy rate (% ages 15 and above) 2006</th>
<th>Combined primary, secondary and tertiary gross enrolment ratio (%) 2006</th>
<th>GDP per capita (PPP US$) 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>0.807 (rank: 70)</td>
<td>72.0 (80)</td>
<td>89.6 (70)</td>
<td>87.2 (39)</td>
<td>8,949 (77)</td>
</tr>
<tr>
<td>Russia</td>
<td>0.806 (73)</td>
<td>65.2 (121)</td>
<td>99.5 (11)</td>
<td>81.9 (49)</td>
<td>13,205 (55)</td>
</tr>
<tr>
<td>China</td>
<td>0.762 (94)</td>
<td>72.7 (69)</td>
<td>93.0 (53)</td>
<td>68.7 (113)</td>
<td>4,682 (104)</td>
</tr>
<tr>
<td>India</td>
<td>0.609 (132)</td>
<td>64.1 (127)</td>
<td>65.2 (118)</td>
<td>61.0 (134)</td>
<td>2,489 (126)</td>
</tr>
</tbody>
</table>

is explored. Lastly, the conclusion aims to draw attention to the wider implications of the formal and informal sector welfare systems for India as a whole.

In sum, this paper makes the following two arguments: Firstly, a dual welfare system exists in India and it is largely created along the lines of Central Government social security measures, which primarily define access to benefits based on the type of work establishment and the number of employees. Secondly, corporations are providing social protection to informal sector workers, but they are not compensating for the dearth of Government welfare provision because of a moral imperative to ‘help’. Self-interested corporations are, in fact, providing social initiatives for their own corporate benefit. This paper seeks to explain this phenomenon.

The concept of dual welfare systems

As indicated in the introduction, this analysis, in contrast to most welfare state analyses (Wilensky et al. 1985, Esping-Andersen 1990, 1996, Castles 2004, Seeleib-Kaiser 2008), will examine and compare two welfare systems within a single country (Tussing 1975, Weir et al. 1988). To analyse the formal and informal sector welfare systems, and examine the role of corporations in driving social protection in the informal sector, I define a welfare system as the sum of all state, market, voluntary, and informal measures to ensure against deprivation, vulnerability, and risk. This definition draws upon the literature of the welfare state (Gough and Woods 2004, Seeleib-Kaiser 2008), mixed economy of welfare (Powell 2007), and social protection (Conway et al. 2000, Conway and Norton 2002, Barrientos and Hulme 2008). State, market, voluntary, and informal measures all function to ensure against old social risks by protecting basic levels of consumption of those already in poverty or falling into poverty, while additionally ensuring against new social risks by facilitating social investments in human capabilities to help those in poverty to overcome their situation.

Some scholarship on welfare state analyses has focused on the notion of a ‘dual welfare system’ (Tussing 1975), a division between poor and non-poor welfare provision (Tussing 1975, Weir et al. 1988), and a divided welfare state (Hacker 2002). In particular, Tuusssing (1975) examines poverty in a ‘dual economy’ in the United States, defining it as “a particular type of dual economy in which the large majority are nonpoor and a minority are chronically poor” (Tussing 1975: 1). The ‘poor economy’ is characterised by cheap and predominately unskilled labour. The ‘nonpoor economy’ is comprised of capital-intensive skilled labour. The chief characteristic is, “the dual economy (...) adjusts to and accommodates the state of development of the larger, dominant, nonpoor element, to the absolute as well as the relative disadvantage of the poor” (Tussing 1975: 17). In other words, society adapts to the dominant non-poor social norms. Through the setting of standards by the non-poor, the poor are put at a disadvantage, and a division is created between the two groups. For example, it is clear that having an education is advantageous to securing employment. Furthermore, according to Tussing (1975), “In a dual economy, where the poor are also the less educated, (...) [they] suffer in an absolute sense as the general level of education rises. As society increasingly adapts to a high education level, the uneducated person becomes less and less able to function” (Tussing 1975: 21). As a result, the poor may be involuntarily forced to accept employment with little security and low wages.

In addition to the concept of a ‘dual economy’, Tussing (1975) contends that there are two welfare systems, one for the poor and one for the non-poor. Other authors, such as Weir et al. (1988), have also demonstrated in their historical analysis of social policy in America how different public social provision policies were designed for the lower versus middle/upper strata of society. More recently, Hacker (2002), in his work on public and private benefits, has also drawn attention to America’s divided welfare state. The central idea of the literature on dual welfare systems remains that while overall it is not the result of conscious design, differences in welfare provision manifest itself in distinct ways in the lives of the poor and non-poor.
In applying the concept of labour market insiders, those who have employment protection, benefits, and wage-bargaining rights, and outsiders, those who have no protection or are unemployed (Blanchard and Summers 1986, Lindbeck and Snower 1988, Saint-Paul et al. 1996, Lindbeck and Snower 2001, and Saint-Paul 2002), to the notion of a dual welfare system, it is possible to conceptualise insiders and outsiders with regards to social protection. Davidsson and Naczyk (2009) draw attention to the fact that while the insider/outsider model has not been employed “explicitly to label people marginalised in terms of social protection (…), some authors have developed ways of thinking about exclusion” (2009: 4) with respect to this area. Delineating insiders and outsiders from a continental and non-continental European perspective, they conceptualise insiders, in the former, as workers who “are able to qualify for benefits offered by social insurance” and outsiders as those “who are unable to meet these requirements and who as a consequence are forced to be recipients of social assistance and to be recognised by society as ‘poor’” (Davidsson and Naczyk 2009: 4). From the latter perspective, they highlight the inequalities between those that can afford and have access to private benefits, the insiders, and “individuals who are excluded from occupational schemes or are covered by only very limited private insurance” (Davidsson and Naczyk 2009: 4), the outsiders.

In other words, in most respects, workers who are labour market insiders have access to or are able to afford insider status in a dual welfare system. In comparison, outsiders, given their lack of job security and poor wages are involuntarily forced, because they either do not meet certain requirements or cannot afford private coverage, to live with very limited social protection. Furthermore, an added dimension, which exacerbates the division in welfare inequalities between insiders and outsiders, is the access to occupational welfare schemes, in particular health insurance and pension benefits (Kalleberg et al. 2000).

Existing scholarship on India has yet to examine India’s welfare provision through the theoretical lens of a dual welfare system or insider/outsider literature. While much has been written about the informal economy in the context of globalisation and the overarching inequalities that exist (Breman 1996, Harriss-White 2003, Mazumdar and Sarkar 2008), these analyses lack the complete perspective of India’s welfare system and the divide in welfare access and coverage between formal and informal sector workers. As a result, this analysis is a new departure in terms of its focus.

India: Formal and Informal Sector Welfare Systems

The employment landscape in India is dismal (Bhaduri 2008). The economic reforms at the beginning of the 1990s, consisting of the liberalisation of foreign trade and investment and the deregulation of the domestic market, have lead to faster economic growth. However, this has not led, as expected, to an expansion of employment. Instead, the economic growth rate in India has increased, while employment growth has decreased (Papola 2007, Bhaduri 2008, Chadha 2008, D'Souza 2008, Mitra 2008, Sarkar 2008). Some authors (Chandrasekhar et al. 2006, Bhaduri 2008) emphasise that demographically India is changing. According to Chandrasekhar et al. (2006), in 2020 the average Indian will be 29 years old, in comparison to 37 years in China and the United States, and 45 and 48 years in Western Europe and Japan respectively. They argue that the poor absorption rate of Indian youth into the labour market is “due to the poor employability of the workforce”, which they contend is “severely affected by a deficit in educational attainment and health” (Chandrasekhar et al. 2006: 5055).

Over the last two decades, there have been sectoral changes in the structure of the Indian workforce (see Table 2). A shift has occurred, moving away from agriculture and other primary sector activities towards the tertiary sector (this said, half of the labour force still works in agriculture (Mitra 2008)). While there has been a small increase in manufacturing employment, there has been a greater increase in employment in the service sector.
However, changes in employment distribution across sectors do not capture the landscape of the labour market in India. Nor can it be understood by unemployment statistics or the status of employment. In India, the vast majority of the working population is in the informal sector (Breman 1996, Harriss-White 2003, De Neve 2005, NCEUS 2006, NCEUS 2007, GOI Ministry of Labour and Employment 2007-08). While by implication it is difficult to assess the size of the informal sector, a study suggests that as many as 93 per cent of the working population are part of it (GOI Ministry of Labour and Employment 2007-08). Breman (1996) states, “This greatly distorted distribution is caused above all by the almost complete lack of formal working arrangements in agriculture. But even in industry and in the service sector, (…) employment is predominantly on an informal basis” (1996: 5). Since economic liberalisation, the formal sector has decreased in size, while simultaneously the informal sector has undergone a rapid and massive expansion (De Neve 2005, RoyChowdhury 2007).

There is a well-known and extensively reviewed ongoing debate over the blurred boundaries between the various sectors of the Indian economy, as well as the terms and definitions employed (see Breman 1996, Harriss-White 2003, De Neve 2005, RoyChowdhury, 2007). In this paper the distinction between the informal and formal sector will lie with respect to if workers are afforded or can access government social protection in the form of Central Government social security schemes. In other words, the principal social security measures, which primarily cover the formal sector only, define access along the lines of the type of establishment and the number of employees.

However, the formal and informal sectors constitute more than just a conceptualisation of each respective sector in terms of access to employment and social security benefits. Instead they account for and define two different welfare systems: the formal sector welfare system and the informal sector welfare system. Specifically, in relation to the insider/outsider model and the

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3 The formal sector is defined as: All workers who receive full employment and social security benefits, working in all enterprises and industries, both public and private, with 10 workers with electricity or 20 workers without electricity covered by Central Government social security measures. Building upon the National Commission on Enterprises in the Unorganized Sector’s (2007) definition of the ‘unorganized sector’ and ‘unorganized or informal employment’ (see NCEUS 2007 for full definition), the informal sector is defined as: All workers, including self-employed persons, agricultural and seasonal workers, the unemployed, those working in establishments with fewer than 10 workers, and formal sector employees that do not have access to or are not covered by Central Government employment and social security benefit measures.
The concept of a dual welfare system, formal sector workers in India are both labour market and welfare insiders, given that they receive full employment and social security benefits. In comparison, those individuals in the informal sector are labour market and welfare outsiders, since they have access to only minimal employment and social security benefits.

The following sections will examine social security, health, education, and occupational benefits from the perspective of the formal and informal sector welfare systems.

**Social Security in India**

The majority of the population in India does not have access to and is not covered by Government social security schemes (GOI Ministry of Labour and Employment 2007-08). Social security, in a broad context, refers to benefits that cover both risk management and risk prevention, and is an essential tool to prevent vulnerability to deprivation (Dreze and Sen 1991). Social protection, in terms of access to State provided social security, is “one of the dreams that lie at the foundation of Indian society” (van Ginneken 1998: 1). However, although the Constitution calls for universal social welfare arrangements4, according to Ghosh (2005), “Most social policy provisioning has not been universal in terms of its actual effects, even when it has been declared as such. Rather, it has been directed to specific (and restricted) target groups” (2005: 293).

Social security legislation primarily only covers formal sector workers (Guhan 1998, van Ginneken 1998, Agawala et al. 2004). Broadly speaking, it can be classified into two categories: contributory and non-contributory schemes. The former, comprised of pensions and insurance measures, cover such contingencies as medical care, sickness, disability, work injury, unemployment, maternity, survivor, and old-age. The latter provide stipulations for maternity leave benefits, workmen’s compensation in the case of injury or death, and one off gratuity payments to qualified employees at the end of service. The availability and coverage of these schemes are highly skewed in favour of workers in the formal sector (see Table 3) (Papola 2007, GOI Ministry of Labour and Employment 2007-08). The type of work one does and how much one earns, as well as the size of the establishment one works for (i.e. company size), all determine ones eligibility for these benefits. Individuals who are self-employed, seasonal, or work in the agricultural sector are largely excluded and do not receive coverage.

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4 Article 38 of the Indian Constitution states that “The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which justice, social economic and political, shall inform all the institutions of the national life” (GOI Ministry of Law and Justice 2007: 21). Article 41 calls for the State to “make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of underserved want” (GOI Ministry of Law and Justice 2007: 22), while furthermore, Articles 42 and 47 require the State to “make provision (…) for maternity relief” (GOI Ministry of Law and Justice 2007: 22) and to deem the “improvement of public health as among its primary duties” (GOI Ministry of Law and Justice 2007: 23). These Articles, while they do not specifically delineate social security in India, constitute, as van Ginneken (1998) notes, the main elements of social security in the Constitution.
Table 3: Coverage rates of Social Insurance for Formal and Informal Sector (2004)

<table>
<thead>
<tr>
<th>Government Schemes</th>
<th>Formal Sector (%)</th>
<th>Informal Sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ Provident Fund</td>
<td>25.1</td>
<td>0.18</td>
</tr>
<tr>
<td>Employees’ Pension Scheme</td>
<td>12.2</td>
<td>0.02</td>
</tr>
<tr>
<td>Government Pension Scheme</td>
<td>48.7</td>
<td>0.24</td>
</tr>
<tr>
<td>Government Provident Fund</td>
<td>54.0</td>
<td>0.21</td>
</tr>
<tr>
<td>Contributory Provident Fund</td>
<td>4.0</td>
<td>0.02</td>
</tr>
<tr>
<td>Any Formal Pension Coverage</td>
<td>Around 95%</td>
<td>Less than 1%</td>
</tr>
</tbody>
</table>

Source: Adapted from Jha and Golder (2008: 59).

In comparison, social security initiatives in the informal sector are ad hoc and do not provide sufficient coverage for informal sector workers. The central Government’s measures that do exist can be classified into three broad categories: social assistance programs, social insurance schemes and pension measures, and welfare funds. The first are largely composed of income and cash transfer measures, such as employment oriented poverty alleviation programs (i.e. workfare schemes), food-based transfer schemes, including basic education and nutrition programs, and lastly, social assistance and pension programs for targeted vulnerable groups. Secondly, social insurance and pension schemes provide coverage to individuals living below the poverty line, but subscribers must still be able to afford the insurance premiums and make pension contributions. Lastly, welfare funds provide a form of social security to casual wage-workers in specific occupational categories, such as mining, tobacco and film, in the informal sector (Subrahmanya 1998, 2000, Kannan and Pillai 2007, Remesh 2009). However, these welfare funds provide for the general welfare of the workers collectively, as opposed to offering, for instance, specific individual medical or social security benefits as are available to workers in the formal sector.

Although several social security measures have been implemented, only 6 per cent of informal sector workers receive some form of Government benefits (Social Security for Unorganized Workers, 2007). While the formal sector social security schemes have shortcomings, for instance efficient delivery, for the most part formal sector workers experience superior coverage against contingencies as compared to workers in the informal sector (Guhan 1998, van Ginneken 1998, Karunarathne and Goswami 2002, NCEUS 2006, 2007).

The differences in employment and social security benefits between the two welfare systems, as illustrated in Table 4, manifest themselves in distinct ways in the lives of formal and informal sector workers. For those who have access to the formal sector welfare system, it means stable and secure employment with free medical treatment, sickness, disability and unemployment benefits, a good pension and survivors benefit, plus the opportunity for maternity leave on full pay. In comparison, for the majority who are excluded and as a result rely upon the informal sector welfare system, it means no stable employment or form of income, costly and poor treatment in public hospitals only, no sickness benefits, and minimal access to maternity, unemployment, disability, pension and survivor benefits.

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5 For an overview of State Government social security initiatives see NCEUS 2006.
Table 4: Availability of Social Security in India: Formal and Informal Sectors

<table>
<thead>
<tr>
<th>Contingency</th>
<th>Formal Sector Workers (Public and Private sector employees)</th>
<th>Informal Sector Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Care</td>
<td>Free treatment in hospitals. Free drugs or reimbursement for drugs.</td>
<td>Treatment in public hospitals. Free supply of drugs to a limited extent through Primary Health Centres.</td>
</tr>
<tr>
<td>Maternity Benefit</td>
<td>Maternity leave on full pay for public sector workers. Maternity benefits under ESI Act or under Maternity Benefits Act.</td>
<td>Minimal maternity benefits under social assistance scheme under National Social Assistance Programme (NSAP) and only in certain states.</td>
</tr>
<tr>
<td>Unemployment Benefit</td>
<td>Unemployment benefit under the ESI Act equal to 50 per cent of the insured’s average wages.</td>
<td>Minimal benefits under public employment generation schemes. Limited benefits under certain State schemes, only for educated unemployed.</td>
</tr>
<tr>
<td>Employment Injury Benefit</td>
<td>Benefits under EST Act, Payment of Gratuity Act and Workmen’s Compensation Act.</td>
<td>Social assistance from welfare funds for those engaged in hazardous occupations, only in certain States.</td>
</tr>
<tr>
<td>Invalidity Benefit</td>
<td>Benefits under EST Act, Payment of Gratuity Act and Workmen’s Compensation Act.</td>
<td>Pensions for physically handicapped, but only in certain States.</td>
</tr>
<tr>
<td>Old-Age Benefit</td>
<td>Pension and gratuity under Employees’ Provident Fund &amp; Miscellaneous Provisions Act (EPF &amp; MP Act) and Payment of Gratuity Act.</td>
<td>Old-age pensions provided for NSAP, only for the destitute poor.</td>
</tr>
<tr>
<td>Survivor Benefit</td>
<td>Subsidized or deposit-linked insurance and family pension under EPF &amp; MP Act.</td>
<td>Subsidized life insurance under NSAP and minimal accident insurance where available. Survivor benefit and accident relief schemes only in certain States. Pensions for widows only in certain States.</td>
</tr>
</tbody>
</table>

Source: Adapted from van Ginneken (1998: 10-11), and SSA (2007).

**Health Care in India**

Extreme inequality and disparities exist across India in terms of access both to health care and health outcomes (GOI Planning Commission 2008, WHO 2009a). Although the first National Health Policy was enacted in 1983, calling for ‘Health for All’ by the year 2000, the Government failed to attain this goal. Since then, the policy has been revised (in 2002) with the aim being “to achieve an acceptable standard of good health among the general population” (WHO 2009b).
More recently, life expectancy at birth has increased dramatically, from 53.3 years for males and 53.6 years for females in 2002, to 64.1 years and 65.8 years, respectively, in 2005 (WHO 2009b); however, vast disparities between states, districts, and rural and urban areas still exist. These differences are due to several factors, in particular poor literacy and socio-economic status (WHO 2009a). Furthermore, in addition to the continued problem of widespread malnutrition and communicable and diarrhoeal diseases, incidences of chronic diseases are increasing as well (GOI Planning Commission 2008).

In India, issues of infrastructure, access, inadequate provision of human resources, and no prescribed standards of quality plague the system. According to the Government of India, “public health care…in rural areas in many States and regions is in shambles” (GOI Planning Commission 2008: 61). For instance, there is an approximately 18 per cent and 41 per cent shortfall of Primary Health Centres and Community Health Centres respectively (GOI Planning Commission 2008). The former, are the cornerstone of rural health care infrastructure and provision (GOI Planning Commission 2008), while the latter provide basic specialty medical services such as pediatrics and outpatient surgery (WHO 2009c). In addition, there is a major shortage of medical personnel (GOI Planning Commission 2008). In particular, “rural health care in most states is marked by absenteeism of doctors/health providers, low levels of skills, shortage of medicines, [and] inadequate supervision/monitoring” (GOI Planning Commission 2006: 66). However, these issues vary greatly between the formal and informal sector welfare systems.

Formal sector workers, whether in the public or private sectors, have access to some form of health care coverage (GOI Planning Commission 2008). Public sector workers receive free medical treatment in hospitals as well as prescription drugs (van Ginneken 1998). Private sector workers, on the other hand, receive free medical care in designated facilities operated by the Employee State Insurance Corporation, and are reimbursed for prescription drug expenses (van Ginneken 1998). Several private insurance companies also offer hospitalisation reimbursement policies that provide health care coverage primarily to the middle and upper echelons of society (GOI Planning Commission 2008). Given the poor state of the public health system, many formal sector workers primarily seek health care services from private health providers. Over the last decade, the private sector has grown considerably (van Ginneken 2000, GOI Planning Commission 2008), due in part to the inadequate public services on offer and the economic reforms at the beginning of the 1990s.

In comparison, informal sector workers do not have access to free public health care. Health insurance schemes only cover around 11 per cent of the total population, all of which are formal sector workers (GOI Planning Commission 2008). While some have access to free prescription drugs through Primary Health Centres, given their shortfall in numbers, this is to a very limited extent (van Ginneken 1998). Poor accessibility to health services in rural areas, has led to only 16 per cent, as opposed to 84 per cent, of births of the poorest and richest 20 per cent of the total population, respectively, being attended by skilled health personnel (UNDP 2007/2008). The Government of India has encouraged the growth of the private sector, but the cost of private health care is considerably more expensive and is targeted towards urban areas, making it unaffordable and inaccessible to the majority of informal sector workers (GOI Planning Commission 2008).

In sum, the large majority of informal sector workers, especially in rural areas, lack access to reliable and affordable health care (GOI Planning Commission 2008). Therefore, unlike their formal sector counterparts who receive free public health care and have the means to afford to opt out of the failing public health system and purchase private health insurance and services, informal sector workers can barely afford to pay for public health services let alone access and pay for costly private medical care. As a result, they have no choice, and either have to rely upon and pay for inadequate services or are forced to purchase private health care, which can ultimately lead them into financial ruin (van Ginneken 1998).
Education in India


In recent years, substantial progress has been made towards universal primary school enrolment (UNESCO 2009), from 82.4 per cent in 2001-02 to 93.5 per cent in 2004-05 (GOI Planning Commission 2008). However, the combined gross enrolment ratio for primary, secondary and tertiary schools in 2002-03 was only 60 per cent (UNDP 2005). While primary enrolment rates seem promising, they mask poor attendance and high dropout rates of 50.8 and 62 per cent for elementary and secondary schools, respectively (Kingdon 2007, GOI Planning Commission 2008). This is compounded by limited access to schools – on average there are only 14 secondary schools per 100,000 of 14-18 year olds (GOI Planning Commission 2008) – and poor school facilities. In 2005-06, only 55.4 per cent and 85 per cent of all primary schools had toilets and access to drinking water respectively (GOI Planning Commission 2008).

Teacher absenteeism and untrained teachers is another major contributing factor to the poor quality of education on offer (PROBE 1999, Kremer et al. 2005, GOI Planning Commission 2006, Kingdon 2007, GOI Planning Commission 2008). Kremer et al. (2005), in their work on teacher absence, surveyed 3,700 primary schools across twenty Indian states, finding that on average 25 per cent of teachers were absent on a given day. Only 40% of primary school teachers have completed the necessary training (GOI Planning Commission 2008) and the vast majority of untrained teachers are located in rural regions where the most disadvantaged children reside (UNESCO 2009). Given the inadequate school facilities and the lack of qualified and present teachers, it is not surprising that the quality of public education in India is very poor (Dreze and Sen 2002, UNDP 2005, GOI Planning Commission 2006, Kingdon 2007, Panagariya 2008, UNESCO 2009).

In recent years, a shift towards private education in India, particularly in urban areas, has occurred (Pratham 2006, GOI Planning Commission 2006, Tooley and Dixon 2006, Kingdon 2007, GOI Planning Commission 2008, Panagariya 2008, Pratham 2009, UNESCO 2009). However, the quality of private education in India, and across much of the developing world, varies greatly and cannot be viewed, according to Watkins (2000), in “crude contrasts between ‘low quality’ public systems and ‘high quality’ private systems (2000: 230). There has been an increase in demand for ‘low-cost’ private schools (i.e. tuition fees of less than $2 per month), targeted towards the children of informal sector workers (Tooley and Dixon 2006, Kingdon 2007). To those who can afford them, these schools do offer an alternative to poor quality public

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6 In previous sections, this analysis has focused on the benefits and access (or lack there of) that formal and informal sector workers are eligible for. This section will instead examine the educational opportunities available to the children of formal and informal sector workers. It is presumed that formal and informal sector workers, for the most part, are no longer of primary and secondary school age. Therefore, the focus of this section will be on their children, who represent the next generation.
schools, and the evidence suggests that children attending them do outperform their public school counterparts (Pratham 2006, Tooley and Dixon 2006, Kingdon 2007). However, there is a lack of research on educational attainment comparing ‘low-cost’ and ‘high-cost’ (i.e. tuition fees of over $128 per month) private schools, the latter being only accessible to the more affluent parts of society. Watkins (2000) highlights that, “Private schools of inferior quality are more affordable to the poor, but they do not offer the advantages often assumed for private education” (2006: 30). This too holds true in India as well (Kingdon 2007, GOI Planning Commission 2008) and as a consequence, the educational opportunities on offer differ greatly between the formal and informal sector welfare systems.

As a result of the failing public education system, the majority of formal sector workers choose to send their children to private schools (Kingdon 2007, GOI Planning Commission 2008). On average, these children also complete more years of schooling than their informal sector counterparts. For instance, in 2005 the average number of years of education for the poorest and richest 20 per cent of 17 to 22 year olds was 4.4 and 11.1 years respectively (UNESCO 2009). These differences are even more pronounced at the higher education level. According to the Planning Commission (GOI 2006), “only 10% of the relevant age group go to universities” (2006: 61-62), the vast majority of whom are children of formal sector workers (GOI Planning Commission 2006).

In comparison, children of informal sector workers do not have access or the opportunity to attend ‘high-cost’, and presumably ‘good-quality’, private schools. Instead they must rely upon the failing public education system, neither of which are free, or ‘low-cost and low-quality’ private schools. The latter of which, are primarily located in urban areas (GOI Planning Commission 2008, Pratham 2009), and are therefore not accessible to the larger part of informal sector workers and their children. In addition, tuition fees of $2 per month may seem reasonable, but they are unaffordable to the vast majority of the population (Watkins 2000, Kingdon 2007, Pratham 2009). For many, the question is not whether they can afford to send their children to private schools, but whether they can afford to send their children to school at all. It is a trade-off between household consumption now and their children’s potential future income, a trade-off many informal sector workers cannot make.

In summary, the majority of informal sector workers, if they can afford to send their children to school at all, cannot afford the tuition costs at ‘good-quality’ private schools. Therefore, they are forced either to send their children to substandard public schools or, for the select few, to low-quality private schools (GOI Planning Commission 2008). In comparison to their formal sector counterparts who have increasingly chosen to abandon the public education system and send their children to ‘good-quality’ private schools (GOI Planning Commission 2006), the informal sector welfare system, for the most part, offers no choice to informal sector workers to opt out of the failing public education system and as a result their children are unable to attend university because they lack the necessary basic education. In contrast, the formal sector welfare system affords formal sector workers the choice of where they want to send their children to school, ultimately providing them greater opportunities and enabling them to obtain the requisite education needed in order to succeed at university.

The Formal Sector and Occupational Welfare

Occupational welfare benefits of the formal private sector in India are largely unknown. The private sector accounts for approximately 30 per cent of the total formal sector workforce (Bhattacherjee 1999) and just over half of all workers are employed in manufacturing (see Table 5). Occupational benefits, according to Fransworth (2004), are seen “as a top-up to wages and as a form of protection against various social risks” (2004: 150), and can include such provisions as pensions and fringe benefits (for detailed list see Titmuss (1958). Employers use them as a cost effective human capital management tool and have a vested interest in providing them in order
to ensure the recruitment and retention of workers (Estevez-Abe et al. 2001, Hall and Soskice 2001, Greve 2007).

Table 5: Employment in the Private Sector: Total and Composition

<table>
<thead>
<tr>
<th>By Industry in per cent</th>
<th>1991</th>
<th>1995</th>
<th>2000</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, etc.</td>
<td>11.6</td>
<td>11.1</td>
<td>10.5</td>
<td>11.6</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>1.3</td>
<td>1.3</td>
<td>0.93</td>
<td>0.93</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>58.7</td>
<td>58.4</td>
<td>58.8</td>
<td>53.1</td>
</tr>
<tr>
<td>Electricity, gas, and water</td>
<td>0.52</td>
<td>0.56</td>
<td>0.54</td>
<td>0.58</td>
</tr>
<tr>
<td>Construction</td>
<td>0.95</td>
<td>0.66</td>
<td>0.66</td>
<td>0.58</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>4.0</td>
<td>3.8</td>
<td>3.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Transport, storage, &amp; communications</td>
<td>0.7</td>
<td>0.72</td>
<td>0.81</td>
<td>1.0</td>
</tr>
<tr>
<td>Finance, insurance, real estate, and business services</td>
<td>3.3</td>
<td>3.6</td>
<td>4.1</td>
<td>6.2</td>
</tr>
<tr>
<td>Community, Social, &amp; personal services</td>
<td>19.3</td>
<td>20.0</td>
<td>20.0</td>
<td>21.5</td>
</tr>
<tr>
<td>Total (million employees on March 31)</td>
<td>7.67</td>
<td>8.05</td>
<td>8.64</td>
<td>8.45</td>
</tr>
</tbody>
</table>


Occupational welfare represents an important contribution to overall welfare provision (Fransworth 2004, Greve 2007), as Seeleib-Kaiser and Fleckenstein (2008) state, “in many European economies, private social policies have been expanding during the past decade and now constitute an important element of the various welfare systems” (2008: 1). However, occupational welfare is a neglected area of research within the field of social policy (Fransworth 2004, Greve 2007). Although some authors (for a discussion see Fransworth 2004 and Greve 2007) have mentioned occupational welfare in their research of the welfare state, Greve (2007) notes “it is often only used as a mere supplement to an analysis of a specific area or it is stated that some welfare is delivered through the market” (2007: 1); the literature that does exist (Titmuss 1958, Sinfield 1978, Rein 1982, de Swaan 1988, Hacker 2002, Fransworth 2004, Fransworth and Holden 2006, Seeleib-Kaiser and Fleckenstein 2008) primarily only examines firm-level social policies in Europe and America.

This said, two points can be drawn from the field. Firstly, Seeleib-Kaiser and Fleckenstein (2008) note in their research comparing occupational family policies in Britain and Germany, that:

“(…) the nature of public provision seems to be an important predictor for differences of firm-level provision among countries. In countries with extensive public provision, firm-level policies are usually less developed, and vice versa, in countries with weak or residual public policies, firm-level policies are often more prevalent” (2008: 2)

Secondly, Seeleib-Kaiser and Fleckenstein (2008) highlight that firm size matters in the provision of occupational welfare benefits, stating:

“Another commonality among companies in various political economies is that company size seems to matter; it is commonly argued that large companies usually have the necessary bureaucratic means to administer occupational programmes, which is complemented with an economies of scale argument” (2008: 2)

In relation to the formal private sector in India, given the ‘weak’ public health and education system, it can be presumed that private corporations provide occupational welfare benefits to
their employees to compensate for the lack of government provision. In addition, with respect to
transnational corporations in particular, it can be assumed that they have the ability both
financially and administratively to establish, manage, and provide occupational welfare benefits
to their employees.

In short, formal sector workers, in addition to receiving full social security benefits and
having the option to opt out of the public health and education systems, are furthermore
afforded some type of added benefits, in the form of either higher wages or social provisions, or
possibly both. Therefore, not only do they have access to what the state provides, but they are
also ‘rewarded’ by their employers with ‘added’ benefits creating an even larger divide in welfare
provision and exacerbating the inequalities between the formal and informal sector welfare
systems.

Corporate social initiatives: driving social protection?

Before addressing the findings of this analysis a few comments concerning methodology are
necessary. In order to examine if corporations are driving social protection in the form of health
and education provision, corporations had to be selected for this study. I conducted a
LexisNexis’ search of Indian news sources in English, using the following search terms:
‘Corporate Social Responsibility’ and ‘India’. From this, a list of 63 corporations was complied
from 423 search documents.

7 LexisNexis was utilised in selecting the corporations for this analysis, because it provided a broader
selection of corporations in comparison to existing research on CSR in India, which primarily consists of
corporations selected from Forbes or Economic Times top 500 company rankings (for example, see Raman
2006, Chaudhri and Wang 2007). As a result, corporations that are only known nationally, as well as those
internationally recognised, were selected, providing a more representative sample of corporate education
and health initiatives in India.

8 Consisting of: The Pioneer (August 2007 – December 16, 2008), MINT (November 2007 – December 16,
2008), Hindustan Times (September 2007 – December 16, 2008), Business Today (January 1997 – December
16, 2008), India Today (January 1997 – December 16, 2008). These particular sources were selected
because they are the only Indian English sources available on LexisNexis that were suitable for the study.

9 In total three separate LexisNexis source groups and searches were conducted. In addition to the Indian
news sources in English, two other source groups were used as well. The second was comprised of a
small selection of Western-only news sources also in English, consisting of: Financial Times, New York
Guardian, The Observer, International Herald Tribune (all between January 1, 1990 – December 16, 2008); and
lastly, the third contained major world newspapers in English (between January 1, 1990 – December 16,
2008. See References for source list). The following search terms were used: ‘Corporate Social
Responsibility’ and ‘India’; ‘Corporate Responsibility’ and ‘India’; ‘Corporate Social Policy’ and ‘India’;
‘Corporate Social Responsibility’ and ‘Social Policy’ and ‘India’; ‘Corporate Responsibility’ and ‘Social
Policy’ and ‘India’. The search terms produced hits in all three of the source groups, however the majority
of articles from the second and third source groups only coincidentally mentioned, for example,
‘corporate social responsibility’ and ‘India’ in the same article. Moreover, the articles themselves did not
pertain to CSR in India. In addition, in the second and third source groups there was hardly any mention
of Western and/or Indian corporations’ CSR initiatives in India. Consequently, the Indian news source
group in English was chosen as the source from which the cases would be selected. Subsequently, the
search terms with the most hits was selected, ‘corporate social responsibility’ and ‘India’.

10 Each of the 423 articles were carefully read through, and every time a corporation was mentioned in
conjunction with their respective CSR initiative(s) they were added to the list. Initially 119 corporations
were identified and each corporation’s websites, annual reports, and CSR documents were examined for
contact details. Emails were then sent to all corporations that had working listed email addresses
(approximately 80 corporations), in the hope of establishing contact in preparation of doing fieldwork in
India. Upon receiving only three email replies, telephone calls were subsequently made to corporations.
Each of the 63 corporations’ websites, annual reports, and CSR documents were examined and analysed for CSR initiatives, in the two policy areas of health and education, using the technique of qualitative content analysis. Subsequently, each corporation’s education and/or health initiative(s) was then coded and categorised into one of the three categories within the respective policy areas of education and health (see Table 6).

<table>
<thead>
<tr>
<th>Education</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education Infrastructure:</strong> defined as the building, funding, running, and/or adopting of schools and/or learning centres from nursery through higher education.</td>
<td><strong>Health Infrastructure:</strong> defined as the building, funding, running, and/or adopting of hospitals and/or health centres.</td>
</tr>
<tr>
<td><strong>Vocational Training Links:</strong> defined as the running and/or funding of vocational training schools and/or work experience programs in the same industry as the corporation.</td>
<td><strong>Health Education/Awareness:</strong> defined as the running and/or funding of campaigns and/or education programs in the areas of HIV/AIDS, mother and child nutrition, polio, malaria, leprosy, cancer, and/or tuberculosis.</td>
</tr>
<tr>
<td><strong>Education Resources:</strong> defined as the donation of school materials, such as books, notebooks, writing utensils, school uniforms, computers, and technology supported education curriculums. In addition it encompasses the provision of teacher training, career guidance, and student scholarships.</td>
<td><strong>Health Outreach:</strong> defined as the running and/or funding of medical camps, mobile health units, telemedicine, and/or ambulances. In addition, it encompasses the training of health personnel and provision of vaccinations, medications, and/or treatment for: polio, malaria, leprosy, cancer, HIV/AIDS and/or tuberculosis.</td>
</tr>
</tbody>
</table>

These categories were selected because they represent social investments for the future and are required for sustained economic growth (UNDP 2003). In addition, when conducting the LexisNexis search, the terms ‘education’ and ‘health’ received the most search hits when individually combined with the search terms of ‘corporate social responsibility’ and ‘India’. The terms ‘running, funding, and/or adopting’ were employed because this is the language used by the selected corporations in discussing their corporate social education and/or health initiatives. While the term ‘running’, one would assume, would imply that the corporation was additionally ‘funding’ the said initiative, corporations did not necessarily make a clear distinction between the two. In addition, corporations utilised the term ‘adopting’ in relation to adopting a government with listed numbers as a next attempt to make contact. However, unfortunately, this was unsuccessful given that direct numbers to human resource and CSR departments are not made accessible to the public. Instead, each of the 119 corporations’ websites, annual reports, and CSR documents were examined and analysed for CSR initiatives, in the two policy areas of health and education. The corporations that did not have accessible websites, listed CSR initiatives (regardless if they had been mentioned in the search documents), or only stated that they ‘contributed money to social causes’ were excluded from the list, leaving 63 in total.

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11 As compared to the following search terms: ‘children’, ‘child labour’, ‘working conditions’, ‘labour standards’, and ‘social problems’.
run school or health facility; however, they did not specify if ‘adopting’ meant funding and/or running specifically. Thus, given the difficulty of obtaining specific details on the relationship between a corporation and its education and/or health initiative(s), all three terms were chosen to capture the association between a corporation and its said corporate social initiative(s).

**Findings**

The results from this analysis reveal that corporations are providing social protection in the form of education and health to informal sector workers in India. Overall, 97 per cent of the 63 corporations selected have some form of education initiative, while in comparison 68 per cent have some form of health initiative (see Tables 7, 8, and Appendix). Specifically, 83 per cent engage in providing education infrastructure, followed next by education resources (75 per cent), health outreach (54 per cent), health education/awareness (43 per cent), health infrastructure (38 per cent), and lastly vocational training (37 per cent).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Some form of Education Initiative</th>
<th>Education Infrastructure</th>
<th>Vocational Training</th>
<th>Educational Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary (out of 39 companies)</td>
<td>97</td>
<td>87</td>
<td>44</td>
<td>74</td>
</tr>
<tr>
<td>Tertiary (out of 24 companies)</td>
<td>96</td>
<td>75</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>Secondary and Tertiary</td>
<td>97</td>
<td>83</td>
<td>37</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>Some form of Health Initiative</th>
<th>Health Infrastructure</th>
<th>Health Education / Awareness</th>
<th>Health Outreach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary (out of 39 companies)</td>
<td>82</td>
<td>46</td>
<td>54</td>
<td>72</td>
</tr>
<tr>
<td>Tertiary (out of 24 companies)</td>
<td>46</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Secondary and Tertiary</td>
<td>68</td>
<td>38</td>
<td>43</td>
<td>54</td>
</tr>
</tbody>
</table>

This overall preference towards providing education-based initiatives to the informal sector, as opposed to health, is more pronounced amongst tertiary sector corporations specifically. This raises the question of why these companies are primarily providing educational measures. It can be theorised that the majority of secondary sector corporations engage in providing both education and health initiatives, as the data reveal, in comparison to their tertiary sector counterparts, because in their manufacturing and production processes they have a greater negative impact on the health of the surrounding community. In addition, tertiary sector corporations possibly choose to concentrate on education given that they specialise in the knowledge and service industries and rely more heavily upon a well-educated and highly skilled workforce.

Next, what is immediately apparent is an emphasis on education infrastructure, particularly amongst companies in the secondary sector. In both secondary and tertiary sectors,
the data suggest that education infrastructure (83 per cent) is the preferred form of social initiative, followed next by education resources (75 per cent). Although it is difficult to speculate why these two categories are favoured, two points can be made. First, given that tertiary sector corporations opt for education initiatives, for the reasons suggested above, this explains in part why the data reveal this preference. However, it does not account for why vocational training is one of the least preferred initiative. Furthermore, neither does it explain why health infrastructure is least popular as a health initiative amongst secondary sector corporations, in comparison to health outreach and health education/awareness. The latter may be due to, as discussed earlier, that the majority of informal sector workers reside in rural areas, and one of the major obstacles they face is accessibility to good medical care.

In summary, it is not surprising, given the state of the public health and education systems, secondary sector corporations have chosen to focus their efforts on providing health outreach, as opposed to health infrastructure, and tertiary sector corporations have concentrated on the area of education.

Discussion

Broadly speaking, CSR is one of several terms employed to express and capture developing forms of ‘business-society’ relations (Moon 2002). McWilliams and Siegel (2001) define it as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (2001: 117). This definition highlights that CSR goes beyond what corporations are legally required to do. However, do corporations have a social responsibility to society? In other words, do corporations operating in India have an obligation to provide education and health initiatives to informal sector workers who have no affiliation with the company?

According to economist Milton Friedman (1970), the primary responsibility of a manager is to maximise profits for the corporation’s shareholders to which the manager is directly responsible, and any actions that further social good, beyond the direct interest of the shareholders, should be seen as a business problem. In other words, managers who use corporate resources to further social good are doing so out of self-interest and as a result could inadvertently induce harm to the corporation in the form of reducing profits, increasing prices for consumers thereby reducing demand, or lowering wages of fellow employees (Friedman 1970). In short, Friedman’s (1970) argument is solely about maximising shareholder reward. This is the principle objective and primary reference for corporate decision-making. Social investments should be made, if and only if, they produce a return in profits for the shareholders.

Vogel (2005), on the other hand, in his work examining the forces – consumers, employees, and investors – driving CSR and their impact on the behavior of corporations, states, “There are many reasons why some companies choose to behave more responsibly or virtuously (...) Some are strategic, others are defensive, and still others may be altruistic or public-spirited” (2005: 2). He draws attention to the claim, which over the last decade has increasingly grown in prominence, that there is a business case for CSR (Vogel 2005). He states:

“According to the business case for CSR [corporate social responsibility], firms will increasingly behave more responsibly not because managers have become more public-spirited – though some may have – but because more managers now believe that being a better corporate citizen is a source of competitive advantage. A more responsibly managed firm will face fewer business risks than its less virtuous competitors: it will be more likely to avoid consumer boycotts, be better able to obtain capital at a lower cost, and be in a better position to attract and

12 Other terms include ‘corporate citizenship’, ‘sustainable business’, and ‘corporate responsibility’.
retain committed employees and loyal customers. Correspondingly, firms that are unable or unwilling to recognize this new competitive reality will find themselves disadvantaged in the marketplace (...) the value of their brands and thus their sales will decline as a result of media exposure, public protests, and boycotts; and the morale of their employees will suffer” (Vogel 2005: 16).

However, as Vogel (2005) notes, there is no empirical evidence suggesting that corporations engaging in CSR are more profitable; neither is there proof that it makes them less profitable. Given this, Vogel (2005) contends that CSR only makes business sense for some corporations in specific circumstances. He draws attention to two categories of corporations for whom CSR does make business sense; corporations that have incorporated CSR into “a part of their corporate strategy and business identity” (Vogel 2005: 73), and those who “have been targeted by activists, (...) [or] are concerned that they could be targeted, largely because of the visibility of their brands” (Vogel 2005: 73). In other words, Vogel (2005) concludes, CSR “is sustainable only if virtue pays off” (2005: 2-3). Based on Vogel's (2005) hypothesis, corporations in India are only engaged in providing social initiatives to informal sector workers because they believe, in some way, that CSR does or will deliver a positive return.

In contrast to both Vogel's (2005) and Friedman's (1970) arguments, Indian CSR literature (Sundar 2000, Mohan 2001, Arora and Puranik 2004, Sagar and Singla 2004, Balasubramanian et al. 2005), argues that a specifically Indian form of capitalism exists, culturally different from its Western counterpart, and consequently this is why corporations in India are engaging in CSR. According to several authors (Mohan 2001, Sagar and Singla 2004, Balasubramanian et al. 2005) the evolution of CSR in India is embedded in the Gandhian traditions of respect and spirituality, and as a result, it is contended that CSR is not a new concept (Sundar 2000, Mohan 2001, Balasubramanian et al. 2005, Verma and Chauhan 2007). Mohan (2001) states, “Asian capitalism (...) exhibit[s] different constructs of individual identity as well as different institutions for promoting trust and reciprocity” (2001: 108). She contends, “business in India has been seen as a multi-dimensional entity, serving greater societal interests and not narrowly focusing on maximizing profits for owners or shareholders” (Mohan 2001: 108). Similarly, others assert that trust and respect are embedded in Indian culture and these traits, in the corporate world, are more desired than high returns (Sagar and Singla 2004). From this perspective CSR is rooted in Indian values and is not just a strategic business tool employed to increase competitive advantage.

The argument that Indian capitalism is culturally different from its Western counterpart is similar to that of American 'exceptionalism' (Blau and Abramovitz 2007). It would only hold true if corporations only engaged in CSR initiatives in India and not elsewhere. However, if one examines the CSR reports of any of the multinational corporations selected for this analysis, for instance Tata Steel, ArcelorMittal, Royal Dutch Shell, The Coca-Cola Company, or Microsoft, all engage in providing social initiatives where they conduct business operations throughout the world. For this reason, this is a somewhat spurious argument and it does not explain definitively why corporations are providing social protection in the form of health and education to informal sector workers and their families.

Kumar et al. (2001), in their often-cited work exploring the perceptions of CSR in India, contend that there are presently four models of corporate responsibility found in India today: Ethical; Statist; Liberal; and Stakeholder. The liberal and stakeholder models, developed by Friedman (1970) and Freeman (1984) respectively, are traditional Western arguments. Friedman (1970), as stated above, argues corporations have no 'social responsibility', while Freeman (1984) contends corporations should respond to the needs of their stakeholders. The Ethical and Statist models as delineated by Kumar et al. (2001) are specifically Indian models. The former, also known as the Gandhian model, contends that corporations have a voluntary commitment to public welfare based on ethical awareness of societal needs. This model is largely based on
Gandhi’s notion of ‘trusteeship’. The Statist model on the other hand, otherwise known as the Nehru model, emerged after Independence and is based upon the notion that public sector enterprises should be socially responsible to the local community and society at large, rather than just financially successful (Dutt 1990, Mahajan 2001).

However, the Ethical and Statist models do not explain why corporations are engaging in the provision of education and health initiatives to the informal sector. Under the former, all of the selected 63 corporations should be providing all six education and health categories, but as the data reveal this is not the case. The Statist model on the other hand, only applies to public enterprises, therefore private corporations under this model do not have any ‘social responsibility’.

In contrast to the above stated arguments for why corporations engage, or should not engage, in CSR, in May 2007 the Prime Minister of India, Dr. Manmohan Singh, addressed the Confederation of Indian Industry, calling for a partnership with corporations in order to make India ‘a more just and human society’ through investing in human capabilities. He stated:

“I know that increasingly you benchmark yourself against global practices. I appreciate the fact that a corporate entity’s primary responsibility is to its shareholders and to its employees. Your businesses have to be globally competitive. (…) [However] in a modern, democratic society, business must realize its wider social responsibility. The time has come for the better off sections of our society (…) to care for those less privileged and less well off (…) Indian industry must, therefore, rise to the challenge of making our growth processes both efficient and inclusive. This is our endeavor in Government. It will have to be yours too and I seek your partnership in making a success of this giant national enterprise. (…) I invite corporate India to be a partner in making ours a more humane and just society” (Singh 2007).

Next he drew attention to the areas of health and education, saying:

“First, have a healthy respect for your workers and invest in their welfare. In their health and their children’s education, give them pension and provident fund benefits (…) [In addition] invest in people and in their skills. Offer scholarships to promising young people. (…) We must invest in skill-building and education to make our youth employable. (…) current [corporate] efforts need to be multiplied by a 1000 times and Indian companies need to allocate resources for this vital work of building capabilities of India’s youth” (Singh 2007).

However, corporations have no real obligation to compensate for the failure of Government in providing social security, education, and health to the population. Why then, do corporations engage in providing social initiatives?

**Conclusion**

In conclusion, given the vast inequalities that exist between the formal and informal sector welfare systems, corporations in India, through their CSR programs, are attempting to address the lack of Government provided welfare provision and social investment. Specifically, corporations are taking steps to bridge the gap in welfare inequality by providing education and health initiatives to informal sector workers and their families. However, corporations are not

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13 See Gandhi (1966, 1984) for a further discussion.
compensating for the dearth of Government welfare provision because of a moral imperative to 'help'. Corporations are providing social initiatives for their own corporate benefit. Corporations, motivated by self-interest, are thinking about their future workforce.

The lack of welfare provision not only affects informal sector workers and their families, but also has wider implications for the economy and society at large (Report on Social Security for Unorganized Workers 2007, NECUS 2007). From an economic perspective, it adversely affects the informal sector worker’s ability to engage in the labour market and positively contribute to and participate in the economy in a productive manner. This inability, combined with inadequate wages and vulnerabilities such as poor health and educational attainment, can lead to extreme economic poverty, which in turn affects the economy in general by reducing the aggregate demand for goods and services.

India has a relatively young workforce in comparison to developed countries (Chandrasekhar et al. 2006), but the hypothesis that this will result in an increase in economic growth is highly unlikely given the vast social inequalities that exist, coupled with the disproportionately rapid expansion of the informal sector. Moreover, while a young demographic is favorable with respect to the availability of manpower, there is a worrying shortage of skilled and educated workers entering the labour force which is manifesting itself as the demand for such workers grows in line with general economic expansion (Chandrasekhar et al. 2006, GOI Planning Commission 2006, Kapur and Crowley 2008). Corporations need to have access to an educated and healthy workforce from which to select future employees, otherwise they cannot continue to grow and sustain themselves.

In order to support continued economic growth, a country needs strong levels of social investment, in particular where basic education and health care are concerned (Dreze and Sen 2002, UNDP 2003, Mukherji 2006). In comparison to India, the governments of the East Asian Tigers – Hong Kong, Singapore, South Korea, and Taiwan – all established social policy measures and welfare schemes, specifically compulsory education and preventative health programmes (Philips 1990). Similarly, while South Korea, Taiwan, Thailand, Cuba, Vietnam, pre-reform China, Costa Rica, Jamaica, and Sri Lanka have employed substantially different economic policies with varying degrees of success, they all, according to Dreze and Sen (2002) “have been able to achieve a radical reduction in human deprivation and insecurity” (2002: 12) in comparison to India. Specifically, with respect to social policies, Dreze and Sen (2002) state that “these countries have had much in common (…) particularly those relating to the expansion of basic education and health care, and India contrasts with all of them in this fundamental respect” (2002: 12).

The Government of India has thus far failed to establish and provide universal social policies with respect to social security, education, and health. The factors constraining the Indian economy, which ultimately might lead to significant lost opportunities, include, “inadequate public investment in infrastructure, education, and health care” (Mukherji 2006: 6). Unlike the Government, corporations have seen it is in their long-term interest to invest in education and health initiatives for informal sector workers and their children. They are not engaging in CSR for “altruistic or public-spirited” (Vogel 2005: 2) reasons, but instead are providing these measures because it makes business sense for them to do so. In the long run CSR, as Vogel (2005) argues, “is sustainable only if virtue pays off” (2005: 2-3). Corporations operating in India are thinking of and investing in their ‘workforce of tomorrow’, to ensure that they will be educated and healthy. Corporations are concerned for their own future and believe that ‘their’ virtue will pay off, ultimately ensuring that they themselves can continue to reap the benefits of economic growth.
### Appendix: Corporate Education and Health Initiatives by Sector

**Table 1: Secondary sector**

<table>
<thead>
<tr>
<th>Name of corporation</th>
<th>Country</th>
<th>Sector</th>
<th>Industry Classification</th>
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<th>Links with Vocational Training</th>
<th>Education Resources</th>
<th>Health Infrastructure</th>
<th>Health Education Awareness</th>
<th>Health Outreach</th>
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[http://www.searo.who.int/en/Section313/Section1519_10855.htm](http://www.searo.who.int/en/Section313/Section1519_10855.htm)

[http://www.searo.who.int/en/Section313/Section1519_10849.htm](http://www.searo.who.int/en/Section313/Section1519_10849.htm)

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[http://www.searo.who.int/en/Section313/Section1519_10853.htm](http://www.searo.who.int/en/Section313/Section1519_10853.htm)