Labour in the Indian Apparel Industry: Understanding the impact of Government and international trade policies in increasing the vulnerability of garment workers

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Introduction

The importance of the textile and apparel industry as an engine of economic growth and labour absorption is widely understood. However, while the long and rich history of the textile industry has been well documented, the finished product sector – apparel, furnishings, made-ups - has been sorely neglected. This may be due to the fact that the textile industry has been important in world trade and particularly Indian trade since the Mughal and the British period whereas the garment or apparel industry has a more recent and humble beginning in the garment shortage in the Second World War due to trade embargo. From modest beginnings, the apparel industry has risen to commanding heights both in the current globalized trade system and in the Indian economy, where it is estimated to be the second largest employer after agriculture. It is estimated that the textile and apparel industry will provide employment to nearly 40 million workers by the year 2010 now that the trade restrictions under the Multi Fibre Agreement have been lifted.

The global system of quotas that had governed the trade in textile and clothing for nearly forty-two years has been dismantled and the trade has been fully integrated into regulatory framework of the World Trade Organization. This new regime of free trade in textiles and garments means that buyers are free to source textiles and garments in any amounts from any supplier anywhere in the world while suppliers are now free to export any quantity of any item to any country subject only to national tariffs. This is not necessarily good news for all exporters especially those developing countries (such as neighbouring Bangladesh) where the export garment industry emerged precisely due to the favourable terms proffered by the post-World War II quota regime.

The trajectory of growth of the Indian textile and garment industry was not left untouched by the global production and trading systems. However, domestic government policies had an equally important role in shaping the structure of the textile and garment industry as it emerged in the post-independence era. Industry experts and entrepreneurs themselves had been predicting that Indian government policies had shackled the textile and garment industry and placed it in a decisively disadvantageous position vis-à-vis the global textile and garment industry that would pose immense challenges for the industry in taking advantage of the free trade era post the phase-out of the Multi-Fibre Arrangement (MFA). However, nearly two-and-a-half years into the new era the picture of the emerging Indian textile and garment industry's integration into the global textile and garment industry merits a closer look. An industry that did not have any significant export presence prior to the 1980s has emerged as one of the top ten global exporters of textiles and clothing after 1998.[1] As Tiwari (2005) points out this development is even more significant because it occurred in

spite of the factors that have been cited as disadvantageous for the industry: fragmented structure, technological backwardness, poor infrastructure, low investments, rigid labour laws, small scales of operation in comparison to global standards, lack of exit options, and a very inward-looking industry until the 1980s.

There are other factors that make the Indian textile and garment industry's emergence as a player on the international scene and its integration into the global industry unique and worthy of study. The growth of the Indian textile and garment industry has occurred without any significant Foreign Direct Investment (FDI) or integration into a regional trade agreement, two factors that have been the hallmark of its competitor supplier countries. Moreover, the very factors designated as constraining the growth of the industry and leading to its fragmented and small scale may provide a niche but significant pathway for integration of the Indian industry into the global production and trade in garments.[2]

At one level this study intends to read the impact of government policies against the grain to shed light on some of the emerging trends in the Indian export garment industry and some of the pathways of integration made possible because of the legacy of such policies. At another level this study intends to look at the emerging trends in the export garment industry of India from the perspective of industrial relations to examine the growing vulnerability of an already precariously positioned workforce employed in this industry.

The report proceeds as follows. Section I examines the restructuring of the global production and trade system in textile and garments and the opportunities as well as pressures this creates for supplier countries and firms. The next section examines the structure of the Indian export garment industry, particularly the legacy of government policies that have played an immense role in shaping the structure of this industry. This section also takes a close look at the contract labour act and the opposition of industry in general, and particularly the textile and garment industry to this Act. This section will also briefly highlight some firm strategies in the changing production structure and the emergence of some sources of comparative advantage for Indian firms.[3] Section III highlights some key aspects of the structure of the export garment industry in Gurgaon (Haryana) while the last section looks closely at the process of formation of a garment workers union in a unit in Gurgaon, Fashion Express Pvt. Ltd., and the challenges faced by the union in negotiating the fluid state of industrial relations in this industry.

Section I
Global Shifts in International Trade in Textile and Garment[4] Industry

The Long History of Protectionist Measures in T&G Trade

Global commodity chains in the textile and garment sector developed primarily due to the impact of protectionist tariff policies imposed throughout the post-World War era. After the reductions in tariffs in the 1950s there was a rise in textile imports into the US and Western European countries from developing countries following which, Japan, Hong Kong, India and Pakistan agreed to voluntary export restraints for cotton textile products to the US in the 1950s.[5] In the 1940s and 1950s U.S. companies shifted garment assembly to Puerto Rico since it offered low-wage labour force (20%-30% of U.S. minimum wages) and unlimited access to the U.S. market without tariff restrictions.[6] As wages began to rise in Puerto Rico in the 1960s due to increased international competition, U.S. apparel firms shifted production to contractors in Japan, Hong Kong, Taiwan, South Korea and other Asian countries. This led to the first round of restrictions on textile trade called the Short-Term

Arrangement (STA). It came into effect on October 1, 1961 and principally targeted Japanese trade.

Soon thereafter several countries and products were added under the Long-Term Arrangement (LTA) which came into effect in 1962 under the auspices of the GATT. At this juncture, it was mainly cotton textile trade that was restricted and not the clothing trade. However, rapidly rising imports of textiles and clothing provoked the formulation of the far more extensive Multi-Fibre Agreement (MFA) which replaced the LTA and came into effect in January 1974. As the name suggests, in addition to restrictions on the trade of cotton textiles, trade in textiles made from wool and man-made fibres was also restricted. MFA export quotas were allocated to low cost developing countries, curtailing the amount of textiles they could export to countries whose domestic industries were facing a challenge from rapidly increasing imports. Like its predecessor, the MFA was also envisioned as a short term measure to help an orderly opening up of restricted markets without resulting in market disruptions.[7] The MFA was renegotiated four times and finally expired in 1994 only to be replaced by the Agreement on Textiles and Clothing (ATC) negotiated at the Uruguay Round and came into force with the establishment of the WTO in 1995. The ATC sought to phase out all quota restrictions in four phases spread over a period of 10 years. The first three partial phase-outs were in January 1995, January 1998 and January 2002. The final one was on January 01, 2005.

The History of International Trade in Textiles and Clothing (T&C)

Date	Action taken
1957: January	Five-year agreement reached with Japan on limiting overall textile exports to United States.
1958: November	United Kingdom signs "voluntary" limitation on cotton T&C products with Hong Kong after threatening imposition at lower than prevailing volume levels.
1959: September	United Kingdom signs similar restraint agreements with India and Pakistan.
1960: November	GATT Contracting Parties recognise the problem of "market disruption", even if it is just threatened; serves as "excuse" for establishing future non-trade barriers (NTBs).
1961: July	The Short Term Arrangement (STA) is agreed upon.
1962: February	The Long Term Arrangement (LTA) is agreed upon to commence on October 1, 1962, and last for five years.
1966: June	The United Kingdom implements a global quota scheme in violation of the LTA. (The LTA provides only for product-specific restraints.)
1967: April	Agreement is reached to extend the LTA for three years.
1969–71	The United States negotiates voluntary export restraints (VERs) with Asian suppliers on wool and man-made fibres.
1970: October	Agreement is reached to extend the LTA for three years. (It was later extended an additional three months to fill the gap until the Multi-Fibre Agreement (MFA) came into effect.)

1973: December	It is agreed that the MFA will begin on January 1, 1974, and last for four years.
1977: July–December	The European Economic Community (EEC) and the United States (US) negotiate bilateral agreements with developing countries prior to agreeing to extension of the MFA.
1977: December	The MFA is extended for four years, incorporating even more stringent provisions causing trade shifts. Trade among developed countries increased relative to global trade in clothing. Some of the more successful developing country exporters moved up the value chain.
1981: December	The MFA is renewed for five years. The United States, under pressure from increased imports resulting from dollar appreciation, negotiates tough quotas.
1986: July	The MFA is extended for five years, to conclude with Uruguay Round. Agreement on Textile and Clothing (ATC) is introduced as part of the GATT Uruguay Round with the aim of bringing rules on textiles and clothing trade in line with free trade policies of the newly established Word Trade Organisation. ATC provided a framework for the phasing out of the MFA over a period of ten years, beginning in 1995. It applied to all WTO members whether or not they were signatories to the MFA.
1991: July	The MFA is extended pending the outcome of the Uruguay Round negotiations.
1993: December	The Uruguay Round (UR) draft final act provides for a 10-year phase-out of all MFA and other quotas on textiles in ATC. MFA extended until UR comes into force.
1995: January	1st ATC tranche liberalised by importing countries – 16% of 1990 import volume.
1998: January	2nd ATC tranche liberalised by importing countries – 17% of 1990 import volume.
2002: January	3rd ATC tranche liberalised by importing countries – 18% of 1990 import volume.
2005: January	4th ATC tranche liberalised by importing countries – 49% of 1990 import volume.

Source: Adapted from Madhukar (2004).

Multi-Fibre Arrangement (MFA)

The MFA restricted cotton, wool, man-made fibre textiles and textile products. Tariffs were higher at the final stages of the manufacturing process. The MFA was renewed three times, each time with an increase in intensity and coverage of restrictions. Progressively, the focus of the MFA shifted from textiles to clothing since this was the sector where developing countries had far greater comparative advantage due to the availability of cheaper labour that directly affected this labour intensive manufacturing sector. With the second renewal of the MFA in 1977, even more stringent provisions were incorporated and this influenced trade patterns such that there was more trade among developed countries relative to the global clothing trade. In fact, during the 1970s and 1980s, clothing production in Europe was both protected and in some cases heavily subsidised.[8] In addition, the more successful developing countries began to shift to higher quality production to beat the quantitative restrictions and thereby realising higher unit values. The third renewal of the MFA in 1986 placed stringent limits on imports from the top three Asian exporters, namely, Hong Kong, South Korea and Taiwan. In response, these countries were forced to move further up the chain into the production of more value-added clothing items as well as setting up subsidiary firms and contracting relations in countries which fewer tariff restrictions to take advantage of their quota allocations.

ATC Timetable for the phaseout of MFA

The main provision of the agreement is a timetable leading to complete integration at the end of a ten year transition period, i.e. by 2005. The agreement provides a list of all the products which need to be integrated. There are two aspects to this process –

1. **Progressive integration of products**: Integration is required to take place in four stages. Each stage must include products for each of four groups –
   a. tops and yarns
   b. fabrics
   c. made-up textile products
   d. clothing

   The choice of items within these groups is left to importing countries.

2. **Progressive raising of quotas**: At each of the first three stages of integration there has to be an annual increase in the quota level of those products still under the MFA.

Source: Hale and Hurley (n.d.)

Changing Demand Patterns and Production Process

Reflecting the changing socio-economic and socio-cultural trends, such as falling average wages and household incomes, increasing inequalities, and fast disappearing middle classes has led to a change in the demand for clothing. While during the 1970s, the middle market segment experienced rapid expansion, by the late 1980s and early 1990s, this segment had collapsed and the clothing sector became polarized into a top and bottom ends of the price range. Developed country consumers now spend a smaller share of their income on clothes although in terms of volume, they continue to buy more clothes than before. Manufacturers have responded to the slowing demand by offering consumers greater choice of fabric, design, colours and sizes and frequent style changes and shorter fashion trends.

There have been further changes since in the demand for clothing since the mid-1990s, with increasing segmentation at the top end of the price range. A 'value' market has emerged, followed by a declining middle and upper end market leading to intense competition between retailers in this segment.[9] At the other end are the discount stores patronized primarily by price-sensitive and relatively quality-insensitive consumers. Intense competition in clothing retail has also been prompted by organisational innovations such as low-cost inventory control and outsourcing of garment production to contractors who pay less than subsistence wages and flout most labour laws. Yet, these same falling prices still include a substantial retail mark-up.[10] Thus, contrary to the widespread view that garment production is only a low-wage, low-technology, labour intensive industry, the high-quality fashion market that is characterized by modern technology, dynamism, innovation, and highly paid designers.

In the 1970s, manufacturers in developed countries focused on "industrialising all levels of the supply chain in order to achieve economies of scale" based on "extreme division of labour, with the fragmentation of the making-up process into many short, specialised operations in place of the make-through or semi-make-through methods".[11] Shelf life of garments was long, number of seasons for styles was fewer and therefore product volumes were larger than contemporary times. By the 1980s, attention focused on meeting the competitive challenge of low cost imports from developing countries as well as consumer demands for better quality and greater variety. In keeping with the changes taking place

across the manufacturing world in production processes, competitive advantage now sprung from better time management and quick response.

It is widely recognized that technological changes played a big role in this transformation and in the garment industry this was the time when CAD/CAM technologies were introduced on a large scale in the production of garments (to create new fabrics, finishes, designs), new technologies were introduced to improve the garment dyeing process, and computerized systems such as the electronic-point-of-sale (EPOS) and electronic data interchange (EDI) that allowed collection of data via barcode scanning and tracking of the SKU (stock keeping unit). These systems are important in speeding up information sharing between consumers, buyers and suppliers and facilitating the maintenance of low inventories along the supply chain which key to the just-in-time (JIT) manufacturing and distributing strategies. EPOS allows for collection of real time information about levels and patterns of sales at retail outlets, facilitated by the development of a common bar-code system (UPC - Universal Product Code) and EDI.

Our discussion so far clarifies that there are two catalysts for current restructuring of the clothing sector:

1. First, is the liberalisation of the global trade regime governing textiles and clothing with the phase out of the Multi-Fibre Arrangement (MFA) under the Agreement on Textiles and Clothing (ATC) of the World Trade Organisation (WTO), completed on December 31, 2005.
2. Second, is the restructuring of the clothing commodity chains due to changes in the sourcing and buying strategies of large retailers in major northern markets due to organizational innovation facilitated by changes in transportation and communication technologies. Simultaneously, the retail markets are themselves undergoing massive transformation in the form of increasing retail concentration.

Trade Policy and Global Commodity Chains (GCCs)

Gereffi argues that GCCs developed because of the "ability of producers to slice up the value chain" and disperse production to different geographic locations.[12] A commodity chain refers to all the activities involved in producing a product, from designing to production and marketing. Gereffi differentiates between 'internationalization' and 'globalization'. While internationalization "refers to the geographic spread of economic activity across national boundaries", not a new phenomenon, globalization he argues, "implies the functional integration of internationally dispersed activities."[13] In other words, "economic activity is not only international in scope" but also "global in organization." Thus, global commodity chains refer to the "networks of business units involved from the stage of raw material supply to production, exporting and finally marketing and retailing". They include both forward and backward linkages.

There are two types of commodity chains in GCC analysis - producer driven commodity chains (PDCCs) and buyer driven commodity chains (BDCCs). PDCCs are generally found in capital and technology intensive industries where investment and patented knowledge are barriers to entry such as in automobiles and auto components, semiconductors, aircrafts and heavy machinery. Large corporations, usually transnational corporations, play a central role in organizing the production networks and international subcontracting of components production. Profits are derived from technological innovations and scale of production. In PDCCs, levers of power lie with the manufacturers. In BDCCs on the other

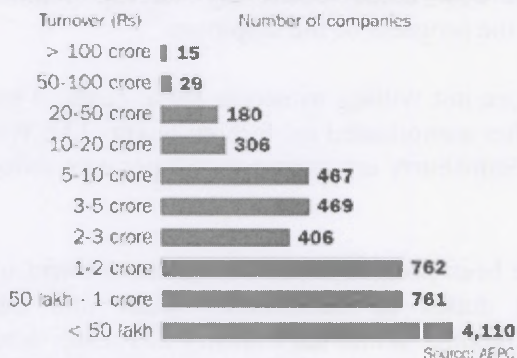
hand, levers of power lie with the retailers, trading companies and branded marketers who organise the international production networks. This is typical of most labour intensive consumer goods such as apparel, footwear, toys, and consumer electronics where capital investment is low and therefore not a barrier to entry. These are typically extremely competitive and labour intensive industries and barriers to entry lie at the top end of the network involving investment in product development, advertising, and electronic data interchange (EDI) linkage. At the bottom end, barrier to entry into the actual manufacturing are low, however, barriers to integration into the GCC are high and depends on the manufacturing firm's connection with lead firms (retailers and branded buyers - the 'manufacturers without factories'). "Sources of profit are a unique combination of high value research, design, sales, marketing and financial services."[14]

Baden correctly points out that protectionist measures and particularly the quota regime under the MFA has the effect of dispersing garment production globally, more so than footwear which is also a buyer-driven GCC but remained relatively unconstrained by protectionist measures. In addition, foreign investments and preferential trade pacts, such as NAFTA allowed regional networks to develop, linking countries in different market categories, in core and peripheries. For example, US's linkages with Mexico and the Caribbean Basin, or EU's linkages with North Africa and Eastern Europe.[15] Such developments, premised as they are on cost reduction strategies, have been criticized for locking in the developing countries of these regional networks into low wage, low skilled, low value added activities, without hopes of advancing up the value chain. Baden argues that China, Brazil and India have remained outside such disadvantageous trade pacts because their trade pacts are premised more on market access than on cost reduction. Baden rightly points out that the long standing comparative advantage theory has to be extended and institutional factors and linkages have to be included to understand the competitive advantage of countries and firms in the value chain.

Although non-price factors are becoming more significant in determining sourcing decisions, the pressure on prices has not decreased, with buyers continually searching for lower cost sourcing options. Indian labour costs in the apparel industry are among the lowest. However, industry analysts point out that the bottlenecks are:

- the continuing fragmented nature of the industry
- infrastructure bottlenecks
- government regulations, duties and tariffs

The fragmented and small scale nature of manufacture leads to productivity problems with estimations that Indian factories are performing at nearly one-third or one-half of their potential. This erodes the advantage of low labour costs. The fragmented nature of the industry also prevents the functioning of a reliable and truly integrated internal supply chain leading to inconsistence performance by the Indian apparel industry.



cited in Surendar and Rajshekhar (2004)

Surendar and Rajshekar indicate that the biggest Chinese firms have a turnover of $800 million-1,200 million – which is nearly 10 times the size of the Delhi-based Orient Craft, which, at Rs 450 crore of revenues, is one of India's largest garments exporters. Contrast this to Bangladesh which matches India's apparel production but from only a fifth of as many factories, and Thailand does almost the same business as India with a workforce a third the size. This is disadvantage is highlighted by G. Sankar, Managing Director, Tesco India Sourcing, who reports that they have "seen just 15-20 vendors who have shown potential, but none who meets all [their] requirements of scale, productivity, [and]lead times."[16]

Another major constraint facing the Indian industry is its distance from the major markets, especially when compared to the proximity of Mexico to the US or Turkey to the EU or China to Japan and the US West Coast. This disadvantage adds to Indian industry's shipping and freight costs and time. Moreover, as Dutta points out, since the inbound freight traffic to India is also low, it keeps shipping costs high.[17] The industry also faces obstacles in moving its containers to ports in a timely manner due to the poor network of good quality highways. Although, major highway construction projects are underway in the country, it is yet to translate into tangible benefits for the industry. Mital and Dogra estimate that logistics account for around 3-5 per cent of the total costs of production and distribution for the textile industry. Cargo service providers and freight forwarding companies are moving into the logistics handling business. For example, Safexpress manages complete warehousing and transportation needs for almost 80-85 per cent of the domestic readymade garment sector. Mital and Dogra report that garment and textile exporters for whom it is imperative to meet the shorter lead times given by buyers are wary of availing of services of companies like UPS, Safexpress, and DHL, which work closely with the domestic readymade garment sector and retailers but do not offer complete logistics solutions to exporters who require that the companies pick up material from the warehouse, deliver it to the manufacturing unit, and put the complete thing on board and deliver. This predicament is captured by Balraj Arora, General Manager (Finance), Orient Craft.

> The logistics support available for meeting shorter delivery schedules in the country is pathetic. Just imagine a shipment from China reaches the US in just 12 days whereas from India it will take at least 22 days! Not only this, but delivery time from Delhi to Mumbai is also 4-5 days by road. Ports are congested and airfares are sky high. There's not one logistics solution provider for Orient Craft, rather there are 8-9 that take the shipment to various freight

forwarders nominated by the suppliers. There's need for improving the communication system, which can be made better by having online information centres to keep a tab on the progress of the shipment.[18]

Another report indicates that since buyers are not willing to accept these costs, it has to be borne by the exporter. The situation is further complicated as, foreign buyers like Wal-Mart, JC Penney, Carrefour, Auchan, Metro, and Sainsburry are asking for 50 per cent reduction in costs and delivery time.[19]

Other regulatory disadvantages have been prohibition of foreign investment in textile and apparel manufacturing, high import duties on equipment, excise and other tax imbalances, and loopholes in the subsidy structure. While the industry advocates would also add 'rigid labour laws' to this list, we will discuss the deceptive nature of this demand in a separate section.

Our discussion reveals that Indian labour costs in the apparel industry are quite low and compare favourably with other countries. The hike in the FOB (Freight On Board) price of manufactures is due to other causes discussed above (infrastructure, government regulations, fragmented nature of industry). Yet the industry is clamouring for regressive labour reforms and continues to apply downward pressure on labour costs. *Why?*

Part of the answer lies in the global flow of price pressure as illustrated in the figure below. Due to growing retail concentration, control over the supply chain lies with the retailers and market pressures of demand variability, getting the product mix and inventory level right, and getting the right product to the market at the right time are high. However, risk and price pressure is transmitted downward from the large retailers to manufacturers and through subcontractors to individual workers who are now expected to bear the risks of normal and abnormal economic fortunes. Labour costs is where factories have the most control and cooperative governments do not complain about labour violations as they fear that higher labour costs will drive away investment. This fear is a central reason for lack of labor rights enforcement and the reason that wages are based not on what it costs to live, but on what the market will bear.

Since companies reward their buyers on the basis of three factors – free on board (FOB) price, timing/delivery, and the level of defects, the pressure is on the buyers to get the best deal. Retailers and buyers add to the price pressure by coming up with sourcing innovations. For example, in e-purchasing or B2B platforms, all suppliers are pre-assessed and bid against each other in a one-two hour competition.[20] Post-delivery discounting is a practice in which price reductions are negotiated after delivery and before payment. Additional pressures emit from turnaround demands and order volatility. And yet, there is little discussion of pricing practices.

Scheffer points out that access to capital and credit in developing countries is the biggest barrier to development and it locks developing country suppliers into their relations with big retailers and brands.[21] This makes the suppliers more vulnerable to the price and risk pressure. And yet, price pressure can not be an excuse for depressing labour conditions, although it only helps to explain them since the wages as direct cost are the one of the few things that the supplier can control directly and easily.

Everybody in the supply chain is trying to lower costs and increase profits.[22] The retailers get the biggest share of the pie since they are the ones with the strongest market power. The workers, on the other hand, have the least power in the supply chain and therefore profit the least. The buyer sources the garments and increases the retailers profit share through adjustments in buying prices, delivery times, quality, and styles. The suppliers too try to cut costs to maximize their own profits. To calculate the free-on-board (FOB) price of a garment, suppliers have to consider,

- direct costs (such as material, labor costs, transport and commission - only 15% of the approximately 100 steps between the design of a garment and shipping a completed garment are linked to direct costs),
- indirect costs that are not linked to the product (such as overhead costs, designing, samples, and administration) and
- macro costs (taxes, quotas, tariffs, infrastructure, education).

Analysts report that many suppliers do not have any knowledge of the relationship between the different types of costs. They "focus on the market price and negotiate blindly" and leave "the workers to pay the bill."[23] And yet, **the astounding part is that even "if the supplier paid the worker nothing at all, the FOB price would only be reduced by 6.9%, and the retail price would only go down about 6.8%".**[24] Yet, despite the fact that wage costs constitute a minimal share of the production costs and ultimate retail price, the maximum pressure to reduce costs is borne by the textile and garment workers and their working and living conditions are the first to be sacrificed at the altar of corporate profit (and might one add, corporate greed).

Retail Revolution – Increasing Concentration and Blurring of Boundaries

As stated earlier, in the 1990s there was major restructuring of the retail sector in industrialized countries leading to increased retail concentration. A decade and a half later, such a retail revolution is underway in India as well. It is projected that organized retailing will grow from 0.8% in 2003 to 5% by 2005 due to development of retail infrastructure such as shopping malls.[25] The Indian model though is different from the earlier pattern witnessed in industrialized countries. There, retailers developing strong links with global suppliers in developing countries sourcing from India, Pakistan, Sri Lanka, Bangladesh, China, Vietnam, Indonesia, Malaysia, Mauritius, Morocco, Turkey, Poland, Romania, Hungary, Latin America and the Caribbean Basin. On the other hand, given the integrated nature of India's textile and clothing complex and expertise in producing everything from raw materials to fabric to garments, the garment retail revolution in India has entailed two approaches. First, fabric and yarn producers and now also foraying into garment production and retail under their own brand names or through joint ventures. Second, with the liberalization of imports and relaxation of export norms, manufacturers who used to engage primarily in production for export, are now also launching brands in the domestic market. The erstwhile rigid distinction between domestic and export production is quickly blurring. This will probably result in the narrowing of the erstwhile wide gap in the quality supplied to the domestic market and for export. It will also probably result in more integration of the supply chain especially as sourcing near textile production becomes more important to overcome the fabric bottleneck and meet demands and short lead times.[26]

Companies, to whom work has been outsourced by big retailers like Wal-Mart, GAP and JC Penny, are now launching their own brands in the domestic market, in spite of the fact that currently margins and volumes are low in the domestic market. Industry expectations are that local margins will be at par with overseas markets within the next 4-5 years. Moreover,

domestic investments are expected to cushion the vagaries of the export trade. Some of the biggest garment exporters in India like Orient Craft, Creative Garments, Sintex Industries and Shemkin Group are all in the process of launching their own brands in the garments as well as the made-ups categories. For example, Orient Craft recently launched its brand 'East' at select retail outlets. The company is in the process of introducing a denim brand as well. The company expects that with nearly 500 malls coming up in the next two years, the future of the garment industry in India is bright. Similarly, several other big exporters such as Arvind Mills, KG Denim, Raymonds, Gokuldas Exports and Zodiac, which already have their own brands, are in the process of expanding their reach in India. Even NGOs like SEWA and design institutes such as National Institute of Design have launched their own brands.

Cotton textiles continue to form the predominant base of the Indian textile industry, though other types of fabric have gained share in recent years. In 1995-96, the share of cotton and manmade fabric was 60% and 27% respectively. More recently, cotton fabrics accounted for 46% of the total fabric produced in 2005-06, while man-made fibres held a share of 41%. This represents a clear shift in consumer preferences towards man-made fabric.

With a five-fold increase in the number of tax payers in the country in the past 5-7 years, most companies are seeing an opportunity for sales, especially in the non-metro cities with a population of less than 10 lakhs. Sintex Industries has tied up with Italy's Canclini to manufacture and market shirts here and is launching two brands for men – Style Italia and BVA . In addition, the Shemkin Group, with an export-oriented unit in north India, has plans to enter the made-ups segment soon. According to a recent report, the domestic branded apparels segment is growing at around 20%, revealing a preference for ready-made garments to stitched ones.[27] This is also giving domestic retailers a chance to flex their muscles. In February 2004, the Delhi Apparel Retail Association (DARA) demanded 33 per cent retail margins on branded apparels from major companies, which the latter were unwilling to concede.[28] Retailers argue that currently they end up making a net profit of less than 3 per cent. The threat for these multi-brand operators (MOBs) stems from the fact that brand manufacturers are now planning their retail strategies such as large exclusive stores in the metro. While DARA has been able to secure the 33 per cent retail margin from most mid-priced brands in the children and ladies apparel category, it has not succeeded with most leading brands which currently offer retail margins between 19 to 24 per cent.

These developments and especially the rise of domestic branded apparels that began with the emergence of departmental stores and hypermarts like Pantaloons, Big Bazaar, and Westside Mall, in the 1990s has been boosted further by the meteoric rise of a 'mall culture' in urban Indian (not just in metros but in tier A & B cities as well). The demand for skill-intensive, well-designed and higher value garments especially from the booming IT, BPO, and financial sector workforce with high disposalble incomes is fuelling the domestic demand for branded apparel. The new retail formats are also spawning a restructuring of warehousing, logistics, distribution networks that in turn are complementary for the export segment of the garment industry. The blurring of boundaries between domestic and export markets has allowed producers to not only scale up their production capacities but created synergies in design and logistics capacity allowing a segment of the Indian garment industry to climb up the value chain and compete successfully in the global production and trading system. Some Indian firms are now not only entering into joint-ventures and technical tie-ups with foreign firms in India but also abroad. Moreover, some Indian firms have bought-out smaller foreign firms or established greenfield industries in foreign countries to serve as bases for export to neighbouring sourcing countries. However, the impact of such concentration of power in the

production system is proving to be increasingly detrimental to the textile and garment workers of the world, particularly in the developing countries that are being turned into factories for the global markets.

Some of this new dynamism and the niche products and services that the Indian garment industry is famous for, is a product of the legacy of the structure of the industry that had developed in the post-independence era due to the various permutations and combinations of government policies and the international quota regime. Even as internationally the MFA and other international policies were designed by governments and capitalists of developed countries to curb the growing power of developing economies and the dynamism of their textile and garment industries, simultaneously international and domestic capital were in the process of ensuring maximum corporate profits by using their immense clout and the capacity of the labour intensive textile and garment industry to provide massive employment to reduce the impact of what they saw as 'restrictive' labour policies which in reality provided minimal benefits to the workforce due to lax implementation. Hiding behind the rhetoric of increasing global competitiveness and price pressure, capitalists ensured that the production system was restructured to reduce the workers' already pitifully small share in profits while ensuring that maximum risks were passed onto the most vulnerable segment of the production hierarchy, namely the textile and garment workers.

Section II
Indian Textile and Garment Industry: Legacy of Government Policies

According to an USITC report, India is the world's second largest producer of textiles and apparels after China. The industry is one of India's oldest and second only to agriculture in terms of employment, foreign exchange earnings and industrial production. According to the Textile Ministry's Annual Report 2004-2005, this sector adds about 14 per cent to the industrial production and about 4 per cent to the GDP and it provides direct employment to about 35 million people.[29] This industry contributes about 21 per cent of gross export earnings of the country. It is the only industry, which is self–reliant and complete in value chain, i.e., from raw materials to the highest value added products – garments. India's garment exports of $6.6 billion made it the 8th largest exporter in the global market in 2003.[30] Top ranked exporter, China, exported $52 billion worth of apparel that year (eight times more than India) while Mexico, ranked tenth, exported $7.3 billion worth of apparels.

According to a recent study by CRISIL {commissioned by Indian Cotton Mills Federation (ICMF)}, the Indian textiles and apparel industry can achieve a business of US$ 85 billion by 2010, of which the domestic market share would be US$ 45 billion and the share of export would be US$ 40 billion, and approximately 60% of textile exports would be of garments. It is reckoned that post quota regime would create 12 million job opportunities, which would include 5 million direct jobs in textile industry, and 7 million jobs in allied sectors. India's share in the $408 billion global textile and garment market is a very modest 3.3% compared to China's 20% but it has been increasing over the last two decades – growing from 1.5% in 1980 to 2.3% in 1990 and 3.3% in 2003.[31] Part of the reason for this lies in the fact that India's entry into the global garment export market took off only in the mid-1980s much after the first and second waves of global outsourcing of the 1970s and 1980s in which China and other countries of East Asia, Latin America and Southern Africa had created strong export platforms. During this time, exports in this industry from India comprised primarily of textiles not garments. In fact the export garment industry had barely

begun to lay its foundations in the 1980s after the restructuring introduced by the Indian government, a point we return to momentarily.

Indian exporters' productivity is only 35 percent of US levels—compared with the 55 percent achieved by Chinese exporters—and the overall productivity of the Indian apparel industry, including tailors and domestic manufacturers, is just 16 percent of the US industry's productivity. Indian manufacturers often choose to set up several small plants, instead of a single big one, to take advantage of labour laws and a complex and inefficient tax regime that tends to favour small factories. As a result, Indian clothing plants typically have, on average, 10 to 20 percent of the machines that Chinese plants have. Duties of around 25 percent on fabric imports limit the ability of Indian manufacturers to produce apparel made from a wide range of fabrics, thus making these companies less competitive in the global market. Moreover, tailors with low productivity who make custom garments for domestic consumers are a huge part of the sector—constituting 70 percent of its employment. Indian apparel companies suffer from a much higher rate of absenteeism and more shipping delays than the average Asian exporter.[32]

However, unlike other garment exporting countries, the Indian economy produces everything from raw materials, fibres, yarns, fabrics to garments thereby making it easier to set up integrated facilities producing ‘fibre to garments’. In fact, Indian apparel exports display “negligible import intensity”[33] of 1.2%. India’s textile production capacity and availability of raw material is second only to China, despite a wide difference in the size of the production units. Moreover, India is competitively placed in exporting fashion-oriented high valued garments that China does not produce.

Readymade garments (RMG) is the largest export segment, accounting for a considerable 45% of total textile exports. This segment has benefited significantly with the termination of the MFA in January 2005. In 2005-06, total RMG exports grew by 29%, touching US$ 7.75 bn. In 2003-04 and 2004-05, the growth in RMG exports was 8.5% and 4.1% respectively. The jump in 2005-06 exports has been largely due to the elimination of quotas. Major export destinations for India’s textile and apparel products are the US and EU, which together accounted for over 75% of demand. Exports to the US have further increased since 2005, post the termination of the MFA. Analysis of trade figures by the US Census Bureau shows that post-MFA, imports from India into the US have been nearly 27% higher than in the corresponding period in 2004-05.

Segment-wise Exports, 2002-2006 (US$ bn)

Category	2002-03	2003-04	2004-05	2005-06
Cotton Textiles	3.62	3.68	3.54	4.49
Manmade Textiles	1.53	1.86	2.05	2.00
Silk	0.49	0.56	0.59	0.69
Wool	0.29	0.35	0.42	0.47
Ready Made Garments	5.75	5.92	6.02	7.75
Handicrafts	1.42	1.11	1.01	1.24
Jute	0.20	0.25	0.28	0.29
Coir & Coir Manufactures	0.08	0.08	0.11	0.13
Total	13.37	13.80	14.03	17.08

Source: http://www.dnb.co.in/SMEstextile/smes.asp accessed on 7 October 2007

One reason for India's slow integration into the global garment export market has certainly been the very restrictive quotas during the three decades from 1970s – 1990s especially since Indian exports were primarily cotton based and directed toward the US and EU markets making them the target of the most stringent quotas. In comparison China's exports were more diversified and less dependent on quota countries. The other major reason for India's slow integration into the global production and trading system in garments was certainly the inward-looking or domestic focus of the Indian textile policy. Tiwari correctly points out that,

> Using a **strict licensing regime** (that required firms to seek permission from the government before establishing new operations and expanding capacity), **reservation policies** (that reserved key segments of the value chain—most notably apparel—for production in the small scale sector), and **labor laws** (which restricted exit and retrenchment heavily, especially after 1976), the government controlled the size, location, scale, growth and expansion of the textile and apparel industry throughout this period. The government also controlled the extent of exports and the contents of the sector's imports through a complex system of taxation and subsidies. Spinning firms were also subject to a mandatory 'hank yarn obligation' to ensure low-cost supply of specialized yarn for small handloom and power-loom firms. These arrangements oriented the mill sector (spinning and yarn) powerfully towards the small-scale power-loom based weaving sector, which in turn was oriented primarily towards domestic consumption.[34]

Large-scale production in the textile industry was curtailed through restrictions on total capacity and level of mechanisation. Several textile items were reserved for the small scale segment. These policies promoted the extensive growth of small scale textile enterprises that were highly labour intensive, though it eroded the competitiveness of the industry and acted as a disincentive for capital investment.

In the three decades between 1960s – 1980s India's textile exports began to stagnate and it slipped from 8th position to 14th position, while Hong Kong which was in 11th position in the mid-1960s had risen to 3rd position by the 1980s and led the emergence of East Asia as the hub of textile and apparel production and exports. During this time India virtually disappeared from the export markets and became very focused internally on domestic markets, that is, until mid-1980s when it marked its entry once again in the export markets. This turning point was facilitated by the Indian Government's announcement of a revised textile policy in 1985 that focused on increasing the industry's international competitiveness and turning it into a major foreign exchange earner for the country. De-reservation of textile products has been a priority area for the government since 1997, since it was believed to be the most effective way to foster productivity and efficiency in the sector. All textile items were removed from the reservation list by 2005. The effects of the policy turnaround are clearly seen. From barely $30 million in 1970, India's apparel exports rose to $6.6 billion in 2003.

Indian Government Reforms

After independence, India launched on a path of import-substitution with an emphasis on heavy industry. This policy was to have a major impact on the nature of the garment industry. Heavy industries tended to be capital intensive, and in a labour surplus country like

India the garment sector was to play a significant role as labour absorber. In addition, India already had a large base of traditional artisanal garment production. Thus, garment production was reserved for the small scale sector in order to protect it from the threat of more efficient modern capital intensive sector. This limited the scope of expansion since a capital investment of more than Rs. 3 crores would require the firm to export 75% of its production. Even in later years, many export firms implemented the strategy of multiple small units in order to avail of the benefits of the small scale sector and to avoid the legalities of the Factories Act and the Industrial Disputes Act, 1947. A prime example is Orient Craft Ltd. in Gurgaon, which began from a small workshop in Delhi and has emerged as the leading garment exporter in India, with 22 small factories spread over Delhi, Gurgaon and Noida.

The National Textile Policies of 1985 and 2000 have played a significant role in shaping the production structure and strategy of the industry. The textile policy of 2000 aimed at achieving the target of textile and apparel exports of $50 billion by 2010 of which the share of garments is to be more than half at $25 billion. According to Tiwari (2005), "after relatively slow growth in the late 1970s and early 1980s (compound annual growth rate of 1.4% per year in the first half of the 1980s), apparel exports surged at an annual compound rate of more than 19% between 1985 and 1990 – just prior to the introduction of external sector reforms in India in 1991. After liberalization the growth has continued, but at a slightly slower pace."

Early 1970s

Between 1970 - 1976 India's apparel exports rose grew from $30 million to $200 million, growing from 3.8% of India's merchandise exports in 1970 to 11 percent in 1976. India's global share in apparel also doubled from 0.6 percent in 1970 to 1.5% in 1976 during this period. Chatterjee and Mohan (1993) have ably documented that this early growth was fuelled by a surge in demand from the US and Europe for Indian handlooms and cotton garments. However, this export growth petered out in the late 1970s and early 1980s in part because of changes in consumer demand in the US and EU, but also because these handloom exports, which were previously exempt from the purview of quotas under the MFA that had come into existence in 1974, became subject to greater export restraints in the US and EU markets after 1977.

National Textile Policy 1985

Based on the Verma Committee's 1985 Report, the Indian Government announced a new textile policy. The main elements of the Policy included: (i) dismantling the sector approach to the industry, retaining a special role for non-power technology; (ii) adopting a multi-fiber orientation and fiber flexibility; (iii) providing adequate raw materials at reasonable and stable prices; (iv) reducing the level of duties on synthetic raw materials; (v) removing entry and exit barriers; (vi) emphasizing modernization and technology and machinery imports at international prices; and (vii) making Indian textiles more competitive in the world market. The government deregulated the hitherto heavily controlled textile industry, allowed firms to diversify their fabric and fiber base, raised the maximum limits on allowable investment, especially for small and medium firms, promoted exports through a variety of duty-draw back programs and encouraged the sector's technical modernization through the disbursement of cheaper lines of credit and specifically vested funds (such as in

the Technological Upgradation Fund program) that allowed firms, especially exporters to import capital goods and technology at near world prices (Ministry of Textiles 1999).

The textile policy of 1985 marked a turning point in spurring apparel export growth. The process of de-regulation initiated by this policy comprised of three processes: it encouraged investment and technical upgrading in the sector, it very specifically promoted exports and it promoted the diversification of the sector's fibre base – a longstanding demand of garment producers who had been complaining of the lack of domestically produced good quality fibre/cloth. The government also raised the upward limit on investment allowed to small and medium firms (it revised it again later in 1991), ancillary units, and those investing in backward regions. Exporters were given a freedom to set up units of any scale at any location and import duty-free machinery and equipment. The government used generous subsidies and duty-drawback programs to encourage firms to establish export oriented units that would use new technology. These initiatives resulted in increase in total production capacity as well as technological modernization. In the apparel sector – which was reserved for small scale firms till 2003 – mean investment per firm in plant and equipment increased an impressive 315% from $1.2 million in 1995 to $5.1 million in 2003 (in constant 1995 dollars).[35] The average scale of firms in the textile and apparel industry had begun to increase in the late 1980s and 1990s. Of course it is important to remember that it was only a small percentage of firms that were in a position to quickly take advantage of the policy changes and engender deep structural changes while changes in the rest of the industry would be slow on the uptake. According to Tiwari (2005: 24), "Overall, the average share of exports (as a percent of total sales) in the top-ten cohort of top ten apparel firms has grown to more than 53% today, and in the case of the much more domestically oriented textiles sector, exports rose by 12 percentage points from 3 percent of sales in 1990 to over 15 percent in 2003 (calculated from CMIE's Prowess database)."

The Textile Policy of 1985, which promoted a multi-fibre approach, also began the process of renewal of the man-made fibre (MMF) industry. The cuts on fiscal duties and tariffs on man-made fibre intermediates initiated by the Textile Policy of 1985 as well as various efforts to promote exports fostered greater domestic demand and export competitiveness of man-made fibres. This spurred greater investments in creating additional capacity in the industry. Between 1985-86 and 1993-94, installed capacity for the production of man-made fibres and filament yarn grew at an annual average of 14 percent and 19 percent respectively. Man-made fibre products can play a key role in improving the competitiveness of the cotton textile industry. Man-made staple fibres are important cotton supplements as the blends created help to improve the easy wear properties, durability and comfort that are now demanded by consumers. Further, because blends are needed in the production of high quality textile products (e.g., high quality gents shirts), increased use of man made fibres could help India access the high quality segments of the export market.

Liberalization era of 1990s

After liberalization, the government further de-licensed the industry, began gradual de-reservation of the sector, removed export barriers, and slashed import duties especially for exporters. During this phase of growth, between the 1990s and early 2000s, textile and apparel exports grew strongly. By 2003, apparel exports had increased more than seven times from $914 million in 1985, when apparel exports first took off, to $6.6 billion in 2003. This growth occurred without any significant FDI and was led by domestic firms.

Between 1991 and 2004 the Indian textile and apparel industry had received only $351 million in cumulative FDI, or 1% of the total FDI inflows into India (of $32 billion) during that period. Tiwari (2005) points out that during this time other sectors within India have received far more FDI that the Indian apparel and textile industry – the Indian auto-industry received 9% of India's total FDI (more than $2.9 billion), and the electrical equipment sector received 12% in the same period that the textile industry received 1%. The contrast with other countries is significant. According to UNCTAD, foreign-invested firms account for a third of all of China's apparel exports while Bangladesh's apparel industry received over 27% of the country's total FDI, and as is well documented, South Korean joint ventures played a critical role in the rise of Bangladesh's apparel exports in the 1980s. In other countries such as Mauritius, Mexico and the Caribbean basin nations, there is similarly a significant presence of foreign-invested capital in apparel and textile exports. By contrast, as pointed out in the UNCTAD study, India's textile and apparel exports are dominated by domestic firms.

National Textile Policy 2000

The National Textile Policy was announced on November 2, 2000 and aimed at preparing the textile industry to meet the challenges of integration with the world textile market. The main objective of the policy was to develop a strong and vibrant textile industry capable of producing quality cloth at an acceptable price, contributing increasingly to the provision of sustainable employment and economic growth of the country and competing with confidence for an increased share of global market. The thrust areas of the new policy were technological upgradation, enhancement of productivity quality consciousness and strengthening of the raw material base. To achieve these goals, measures included establishing a $6 billion Technology Upgradation Fund to upgrade the technology at subsidized interest rates, allowing foreign investment of up to 51 percent in the textile industry, and creating a $16 million "cotton technology mission" to increase research on improving cotton productivity and quality. The goal of the NTP 2000 was to enable the industry to quadruple its exports to $50 billion by 2010 from the then level of $ 11 billion by liberalizing remaining controls and regulations, eliminating targeted tax and fiscal benefits for small firms, and encouraging strategic alliances with international textile firms to set up large integrated mills and processing facilities. The NTP 2000 also provided for additional fiscal incentives for investors in technical textiles. A USITC study identified technical textiles, home textiles, specialty yarns and fabrics, and apparel as having the greatest growth potential where opportunities exist for greater foreign investment and trade. The earlier policy of not taking over/nationalising sick units would be continued. Various options for privatization would be explored for unviable Public Sector Undertakings such as National Textile Corporation and National Jute Manufacture Corporation. Non-viable mills would be closed down with provision for an adequate safety-net for the workers and employees. Further the organizations working under the Ministry of Textiles were to be re-oriented, right-sized and restructured to act as facilitators instead of regulatory bodies.

The removal of the SSI reservation for woven apparel in 2000 and knitted apparel in 2005 were significant decisions in promoting setting up of large-scale firms. Government schemes such as Apparel Parks for Exports (APE) and the Textile Centres Infrastructure Development Scheme (TCIDS) provided incentives for establishing manufacturing units in apparel export zones. Further the Union Budget of 2005-2006 announced competitive progressive policies aimed at promoting large capital investments and pruning cumbersome procedures associated with the tax regime. The Textile Vision 2010 was born as a result of

interaction between the government and the industry envisaging around 12% annual growth in the textile industry by 2010.

NTP 2000 opened the country's apparel sector to large firms and allowed up to 100 percent foreign investment in the apparel sector without any export obligation. It is significant that it is only after 2000 that the major global buyers began to register their presence in India. Until then most buyers were sourcing Indian products through buying houses and intermediaries. This trend marks a significant departure from other countries' insertion and integration into the global garment value chain where global buyers have played a direct and significant role in organizing the sourcing networks in producer countries. For nearly a decade and a half, from mid-1980s to early 2000, big international clothing chains and branded apparel buyers did not play any significant role in channeling Indian apparel exports into the international market. Tiwari (2005:19) correctly points out that "India's export upsurge in the mid-1980s was driven primarily by small-volume, direct exports from medium sized Indian producers to retailers, wholesalers, and medium sized buyers – initially in the EU, and subsequently in the US."

Further as an UNCTAD study points out Indian apparel export industry has remained outside regional or preferential trade arrangements that emerged in the 1990s. While this study concluded that this development was hurting Indian exports, another reading by Tiwari of the same facts sees this as an indicator of the strength and depth of the Indian apparel export industry. India's annual average growth of 5% during this period matches that of Turkey which had been incorporated into the EU customs union.

Legacy of the protectionist era: A boon for the new era?

The dominant understanding of the growth of the Indian garment exports in the literature is that had India witnessed higher FDI flows or had it been integrated into regional trade agreements or had global buyers played a greater role in organizing Indian apparel networks then perhaps it would have witnessed faster growth of its garment exports. And had the Indian government been less controlling the industry may have progressed along a more dynamic trajectory and avoided the pitfalls of high costs, technological obsolescence, and inefficient scales of production and low productivity. While some of these facts can not be denied, however, I concur with Tiwari's conclusion that,

> Regardless of the debate over the ills or benefits of the government's autarkic turn in the late 1960s and 1970s, the same factors that have contributed to the slow global integration of the Indian textile and apparel sector, are also generating unexpected opportunities for the industry to upgrade itself and cultivate new sources of competitive advantage that, if nurtured well, have the potential to move it along a higher value-added and more diversified growth path of adjustment and upgrading, along with scaling up.

Of particular importance in the context of the North Indian garment exports industry is the history of small batch production that was inadvertently reinforced by the government's licensing policies and its reservation policies and the skills centred around the 'master tailor' – who served as master cutter, designer and innovator and around whom garment production was organized.

The small capacities of Indian apparel firms are better suited for exports toward the European market rather than the US market where orders are much larger, especially by discount retailers like Walmart. As discussed earlier, the links between Indian garment exporters in the 1980s and 1990s tended to be with small and medium sized wholesalers and retailers or their buying agents, rather than with large chains. Most of these buyers themselves could not take the risk of placing large orders per style and most sought 2500 to 4000 pieces per order, rather than 100,000 pieces. At the same time they also sought flexibility and the ability on the part of their suppliers to handle fast-changing orders of variable designs and specifications. Over time, many of these exporters became quite proficient at handling complex designs in small-runs, multiple product lines and volatility in orders cost-effectively. These traits are especially valuable in contemporary environment marked by intense competition, uncertainty and fragmented and where customization, variability, good quality and low costs are no longer niche strategies, but are widely demanded by buyers. Even when Indian exporters supplied to the US markets it was invariably not to the high volume, low margin discount retailers such as Wal-Mart but to medium market buyers who specialized in smaller batches of higher value products of variable designs such as Gap, Banana Republic, Liz Claiborne, Ann Taylor, Abercombie and Fitch, and JC Penny. However, India is still to make its mark in the high fashion (i.e. high price) segment or the blended/synthetic garments segment. It mostly supplies cotton based garments such as men's shirts, ladies' blouses and dresses, T-shirts and jerseys.

One of the ways of moving up the value chain is by developing the ability to contribute to the design of the garment. According to one account Chinese firms refuse orders that have design complexities since “In their system, the more complicated the design, the more complicated the line gets, and lower the efficiency. This complicates the bottom line. It is not worth their while”.[36] India is the preferred sourcing option for the production of items with complex designs – e.g., shorts and casual trousers with many pockets, different colors, designs with all sorts of complications; jackets using multiple fabrics and motifs. Firstly, Indian firms are capable of handing low volume production cost effectively. Secondly, the absence of over- or narrow- specialization has preserved the skills of the tailors who are able to handle complex designs with ease and flexibility. On the other hand, as Tiwari’s study points out, in China the “the line workers are industrial workers – not tailors. Their production line needs relatively simple designs that can be easily broken down and mass produced”.

And yet it is precisely these two characteristics of the Indian garment industry – the small size of units, and the proliferation/integration of the institution of the tailor in the industry’s production structure – that have been characterized as impeding growth, inhibiting exports and keeping productivity low. While on the one hand it can not be denied that the Indian export garment industry requires scaling up and perhaps an even more intense transition from ‘craft to industry’, but on the other hand it also can not be denied that in some instances the same factor of smaller scale of production with inbuilt flexibility and manpower skills (in the institution of the tailor) can open up distinct opportunities and pathways for going up the value chain and achieving significant value addition.

At the same time it is a fact that Indian garment firms are slowly scaling up and have made significant investments in new equipment and products. In firms deploying flexible production systems and focusing on small runs of high value products of variable designs, automation is often skill-enhancing. Even as capital and skill- intensive technical changes force a reduction in the number of workers employed, the existing workforce requires

increased training. Leading export firms appear to be increasingly leveraging small production runs, incorporating design, and technology, especially IT-based production services, even as they are trying to scale up.

Other factors that appear to play a role in the success of the top tier firms are their investment in forward integration into value added apparel or value added fabrics (technical textiles), backward integration into raw material base and vertical integration of several key processes such as good dyeing units, speciality finishes, good quality accessories and trims etc. Such firms are also characterized by increasing use of technology, especially software based systems monitoring systems, and other production and process tracking systems to streamline production. Where capabilities permit, top tier firms are also focusing on design and product development as well as investments in western markets. Nearly all the top tier firms have created strategies that combine niche exports, overseas investments and production of domestic branded products. The domestic focus in turn creates additional capacities in logistics (warehousing and customized tracking systems). Virtually all the top exporters have introduced their own brands in the domestic market and are aggressively positioning themselves within segments of the domestic market. The strong top tier of domestic firms that emerged from the earlier era of reforms are now leading India's growing global presence in the garments industry.

However this is but a partial picture of the success of such firms, a picture that suits global capital and corporate interests. The hidden truth of such firms' profits is surely the precarious nature of employment contracts between the firms and their workers. Casual workers, contract workers, trainees and apprentices who will never be absorbed as permanent workers but are instead relegated to the casual/contract worker pool – working without the bare minimum welfare benefits due to them under various legislations and without legal protection due to the obfuscated nature of their employment contract – all involuntarily contribute to the dynamism of the textile and garment firms' profits while working and living in sub-human conditions. While it is true that this industry has always been associated with sweatshop labour, yet the specificity of the current nature of the organization of the production process and associated employment contracts merit a closer look to gather insights into the changing relationship between capital and labour.

Unprotected Workers: A Passing Phase or a Fundamental Restructuring?

These unprotected casual/contract workers exist outside the parameters of state mandated labour regulations covering myriad aspects of work such as wages, hours of work, leisure time, work environment, occupational hazards, and welfare provisions; and outside the protection accorded by the legalized status of the collective bargaining activities of labour unions. We are witnessing an increasing fragmentation of the labour force even as it has become polarized between a core and periphery with income disparities and status of job security and benefits most simply indexing the divide; while at the same time sharing some elements of flexibility in employment arrangements as discussed earlier. What complicates this segmentation even further is the fact that 'standard' and 'nonstandard' workers are found working alongside each other "not only in the same industry, firm and occupation, but actually doing the same job."[37]

Delving deeper into this problem and re-examining the notions of part-time, contingent and temporary work, Christopherson points to deeper structural changes in the economy and how this is increasing the precariousness of labour.[38] Until recently, the existing definition of

part-time work was that of "a completely equivalent substitute for the full-time worker" where part-time workers 'back-up' full-time workers during periods of intense workload. However, in the contemporary economy part-time workers are no longer used as substitutes or fill-in labour. Instead, part-time workers are shouldering the burden of production in jobs "designed specifically for a part-time, or more broadly, contingent labor force." Many authors point out that the risk calculus has increasingly shifted from business to individual workers who are now expected to bear the risks of normal and abnormal economic fortunes. Christopherson writes that risks of uncertain product markets are passed on via outsourcing, subcontracting, just-in-time inventory systems, network of subsidiary firms and contingent labour strategies. Just as all production inputs are being purchased on the market and only in the specific quantities required, so too the labour market is being shaped along similar lines where labour can be purchased on the market on an as-needed basis. Hence the need for a contingent labour force. In addition, employers now require labour to enter the labour market with a minimal set of generalized skills, which labour is increasingly acquiring via temporary help agency training programmes or vocational schools. This reduces employers' investment in labour skills and therefore reduces the employers' interest in holding onto employees. And this is also where the role of subcontractors becomes enhanced, as a way of supplying labour pools to businesses on an as-needed basis. The editors of *Monthly Review* recently pointed out,

> A smaller workforce is being compelled to work more intensively by means of both speed-up and stretch-out, while millions of unemployed would-be workers accept worse jobs or are unable to find jobs. ...So far, companies have been able to meet orders for their products by working employees harder. The result has been widening profit margins, even as employment has stagnated and wages have declined.[39]

Whereas, earlier part-time work was a business strategy to address labour shortage or extended production times, today part-time work is a strategy to subordinate and control labour, extract maximum surplus value, weaken organized labour movements and avoid sharing with labour gains acquired through increases in productivity. Earlier, part-time work had some predictability and there were permanent part-time jobs so that workers could plan reproduction strategies for their families. However, in the contemporary economy no job can be understood to be permanent, so radical has been the restructuring of the employment contract. Holding down multiple jobs also no longer ensures survival of the individual worker, no less reproduction of future workers and the family unit.

Risk is thus transmitted downward from large firms, through subcontractors to individual workers who are now expected to bear the risks of normal and abnormal economic fortunes and, equally significantly, diversify that risk privately, via community or family based support networks, in other words, institutions organized along non-capitalistic logic. At the same time, workers in developing countries are being exploited for the higher rates of surplus value that they can generate for capital. According to Marc Anderson, a co-founder of Netscape Communications,

> The advantage of offshore outsourcing of tech jobs in places like India is that "you can get three or four programmers for the price of one...As a software company, you can cut half your programmers, cut your prices, and your profit margins go up, all at the same time. That's a big deal."[40]

It sure is a big deal! As the table below shows, in the garment industry labour cost as a percentage of total manufacturing cost is significantly lower for China and India thus giving them a big cost advantage.

Labour Cost in the Readymade Garment Sector

Country	*Labour cost as share of total manufacturing cost (%)*
Germany	69
Singapore	55
S. Korea	51
Taiwan	48
Malaysia	44
Hong Kong	37
Philippines	31
Turkey	29
Thailand	22
Mexico	19
China	10
India	6
Indonesia	5

Source: CII-Accenture Report "Textile Industry: Road to Growth", November 2001 cited in "The Future World of Work", http://www.businessgyan.com/content/view/725/433/

***Contract Labour in India*[41]**

The Contract Labour (Regulation & Abolition) Act was enacted in 1970. On its web page the Government of India Ministry of Labour (Directorate General of Labour Welfare) states the following about the legislative framework of the Act:

> *"The Government of India has been deeply concerned about the exploitation of workers under the contract labour system. With a view to remove the difficulties of contract labour and bearing in mind the recommendations of various commissions and committees and the decisions of the Supreme Court, particularly in the case of Standard Vacuum Refining Company in 1960, the Contract Labour (Regulation and Abolition) Act was enacted in 1970. This Act seeks to regulate the employment of contract labour in certain establishments and to provide for its abolition under certain circumstances.*
>
> *Contract Labour, by and large, is neither borne on pay roll or muster roll nor is paid wages directly. The establishments, which farm out work to contractors, do not own any direct responsibility in regard to their labourers. Generally, the wage rates to be paid and observance of working conditions are stipulated in agreements but in practice they are not strictly adhered to."*

Source: http://labour.nic.in/dglw/contract_lab.html

However, with the waning of the influence of the independence struggle and the commitment of the Indian State to being a 'welfare state' and the adoption of the ideology of globalisation, such statements are mere rhetoric that attempt to obfuscate the rapid

dismantling of progressive labour legislations and benefits won through hard struggles by labour.

NTUI has correctly pointed out that two developments in the current period directly affected the Contract labour Act. First, in 1996 the Supreme Court delivered what is known as the Air India Judgement. This judgement reversed the earlier judgement of the Court, and said that on abolishment of contract labour in a particular industry or establishment, the contract labour was not eligible for automatic absorption by the industry or establishment. "The Supreme Court essentially weakened the accountability of capital as the principal employer to contract employees. It also weakened the struggle of trade unions for abolishment of contract labour, as the unions could no longer ensure that the employment of workers they were struggling for would be guaranteed." Second, the Second National Labour Commission recommended in 1998 the "loosening of constraints to capital for closure and retrenchment under Sections 25(m), (n) and (o) of the ID Act; and deregulation of hours of work per day, and per week for labour." Fierce labour protests ensured that these recommendations of the Commission were not implemented by the Central Government although it did not prevent state governments from introducing legislations that liberalised labour law, including law governing contract.

There is immense pressure from capitalists to amend, if not repeal, the Contract Labour Act. Capitalists put forth two arguments to support their demand. First, globalisation and attendant transformation of global production requires industry to adapt to flexible even volatile market demand, which in turn, it is argued, requires flexibility in employment. Second, competitiveness in industry depends on the capability of the management to both retain workers in the core area and sustain low-cost operations in non-core areas. As the preceding discussion on global commodity chains has shown multinational garment companies focus their investment and control over processes that they define as core areas and are the most profitable. Moreover, power is unevenly distributed over this chain and profit is maximized by firms dominating and controlling core business processes. Non-core areas such as the actual production of garments (!) are relegated to a global chain of subcontracted firms thus linking multiple processes of labour and production on a global level to produce finished commodities. This results in the core/periphery division of workers at the firm level leading to the expansion of a contract labour system. Thus as NTUI's analysis points out "the rapid growth of sub-contract and labour contract system is an integral part of the developing global production system. It is a network of production process that *links* the various *segmented* labour process, formal with informal. As a result, the MNCs gain access to cheap labour and the capacity to implement the strategy of low cost production under their control." As rapid absorption of labour by industrialization has a tendency to push the wage level. So a mechanism has to be put in place to control and manage this employment relationship. Sub-contracted production and contract labour build such a regime of employment with inbuilt dampening mechanism that minimizes labour share in added value.

The impact of such policies and mechanisms on garment workers can be better understood through a closer look at the experience of the workers of Fashion Express in Gurgaon (Haryana, India) a new and booming industrial centre in northern India.

Section III
Export Garment Industry in Gurgaon

The garment industry in Gurgaon is primarily if not wholly export oriented comprising evenly of manufacturer exporters and merchandisers. While the Apparel Export Promotion Council (AEPC) lists 227 firms in Gurgaon, the 2006 Gurgaon Industrial Directory lists 279 factories. Attempts to get more comprehensive data from various departments of the Haryana Government failed to elicit any response.[42] The factories are mostly located within Udyog Vihar industrial estate near the Delhi border and in the Industrial Model Township of Manesar near the boundary between Gurgaon and Rewari districts. Both these locations are just off NH-8. There are some units located in between, along the national highway. For example, Orient Craft has one of its many factories located at the Hero Honda Chowkh on Khandsa road and then again further up along the highway just before the famous Haldiram outlet.

Udyog Vihar is an older industrial estate. Its emergence dates back to the setting up of the Maruti automobile factory with its complex of ancillary units. Udyog Vihar consists of six phases i.e. Phase I-VI spread over an area of about 800 acres. On the other hand, IMT Manesar is of more recent origin and HSIDC has Phase-I over an area of 1750 acres, providing all infrastructure work pertaining to construction of roads, public health, and electrification. have been completed. The Corporation has also provided facilities like club, police station and office building for other Government departments. All the plots in this Township have already been allotted. The Corporation has further acquired land in Phase-II (180 acres), Phase-III (600 acres) and Phase IV (650 acres) and development work going on. The plot mix has small and large sizes within each zone and they have been designed for mother units, ancillary units and sub-ancillary units. A cluster-planning approach has been adopted. Furthermore, short-listed industries, including auto and auto components, high-precision industries, textiles, pharmaceuticals, software and white goods, form the core segment for the IMT and the basic internal infrastructure has been customized for them.

The average size of plots in Udyog Vihar and IMT Manesar are vastly different. Udyog Vihar is characterized by very small plots set close to each other across from fairly narrow roads, while in Manesar plots are nearly 4-5 times the size of Udyog Vihar and the entire estate is criss-crossed with very wide roads, neatly laid-out in sectors with lots of greenery. The physical lay-out is an indicator of the size of factories located in these two industrial estates. While garment factories in Udyog Vihar employ between 100-250 workers an average factory in Manesar employs between 1000-3000+ workers. Given the differences between the two, it would perhaps be more appropriate to refer to the Udyog Vihar units as workshops and the Manesar units as industrial factories in the true sense of a modern factory.

Traveling just a few kilometers between Udyog Vihar and Manesar we encounter very different scales and sizes of factories. While Udyog Vihar factories are much smaller in size and older, the factories in IMT Manesar are large and new building with shiny glass facades. Yet there is no change in the working conditions of workers employed in both sites. First we will examine the changes in production, followed by an examination of the workers employment and working conditions.

Several of the leading garment exporters of this area began their careers first in small workshops/factories in Delhi with as few as 10-20 indigenous sewing machines, then moved to slightly bigger factories in Udyog Vihar with 50-100 machines and in the last 3-4 years

transitioned to the big swanky centrally air-conditioned factories in Manesar with 1000+ machines housed under one roof. Not only this some of this leading exporters (such as Orient Craft) have also begun acquiring production facilities in foreign countries, establishing design houses in northern countries to work closely with their customers to develop fashions, fabrics and designs for the destination markets. With the opening up of the global apparel market in the post-MFA era many are meeting the challenges and opportunities by establishing more and more production facilities (Orient Craft, Modelama, V&S International, smaller players like Fashion Express), diversifying into different product lines (such as knit wear and home furnishings), and either consolidating their operations into single units (Orient Craft) and/or integrating backwards into state-of-the-art dyeing, finishing and processing facilities (V&S International Pvt Ltd). However this journey has been traversed by only a handful of the top tier garment exporting firms.

The difference in scale of operation can be gauged by the fact that a leading firm like Orient Craft with 20 factories produces 30 lakh units per month and is scaling up to exporting 40 lakh units per month while a medium sized firm like V&S International with 10 factories is producing 5 lakh units per month and hopes to scale up to 10 lakh units per month once its 3 new factories are set up in Manesar this year. Smaller players like Isha Collections or Fashion Express produce barely a fraction of this amount per month.

These developments also have implications for the workforce employed in these factories. With international buyers demanding high levels of quality consciousness, standardization, environmental standards during production and faster turn-around times the demand for qualified and trained manpower has been increasing. Further the skill levels required are much higher in order for workers to operate the state-of-the-art, automated, CAD/CAM machines with precision and efficiency.

In order to facilitate the fast rising demand for trained garment industry personnel, the industry associations and research & development institutes have been setting up training institutes. Between June – September 2005 AEPC set up four Apparel Training & Design Centres (ATDCs) in Kanpur, Bhubaneshwar, Surat and Andhra Pradesh to impart shopfloor training to potential workers in the industry. It already runs 13 such centres in Delhi, Gurgaon, Noida, Ludhiana, Jaipur, Indore, Kolkata, Chennai, Hyderabad, Bangalore, Tiruvananthapuram, Tirupur and Mumbai. According to the AEPC there is an opportunity to create another five million jobs. Currently, it is estimated that the industry employs about three million people. The first such institute was set up as recently as in 2000 in Pune by the Clothing Manufacturers Association of India (CMAI), an association of manufacturers of readymade apparel. This institute was funded by the Swiss Development Corporation through its subsidiary the Indo-Swiss Vocational Training Trust (ISVTT). The CMAI sees training institutes like this as a solution to the severe shortage of skilled manpower in the industry which has a heavy worker turnover.

Earlier this year, in August 2007 the Apparel Training and Design Centre (ATDC) under the Union Ministry of Textiles announced that it would set up 21 more centres throughout the country by December this year in addition to the existing 29. The goal is to train 25,000 workers per year to cater to the demand for about 5.2 million skilled workers by the end of the 11th Five Year Plan since the industry growth, now at 11 per cent, is expected to increase to 16 per cent in the coming years. These training centres are in addition to the various fashion institutes like the NIFT that train upper level apparel manpower such as designers, textile engineers, apparel managers and merchandisers. The ATDC institutes train

the shop-floor level workers who will actually produce the garments that are sold to customers.

While these trends are encouraging it is important to remember several key points. First, these trends relate to small percentage of top tier garment exporting firms and a small although growing percentage of garment workers who will find jobs in these top tier firms. The rest of the workforce continues in the old style of learning on the job through trail-and-error, dependent on co-workers for their training, while earning a pittance. And yet these new trends can not be ignored for they portend developments that have some important implications for improving the work and wage conditions of garment workers.

Garment workers face daily and even in larger factories many employers have adopted ways of denying responsibility for their workforces when work is scarce. In October 2007 V&S International in Gurgaon dismissed dozens of workers on the excuse that this is slack season and there are not enough orders. Workers were advised to check back in November when the production season begins for 2008 summer in northern markets. This firm uses a differential system of employment to cull out experienced and efficient workers that it chooses to keep employed even during the slack season. On initial employment workers are put on the 'zero card' which entitles them to get only one holiday per month and single rate for any number of overtime hours worked. After three – six months of employment, workers can hope to be 'promoted' to 'T card' which entitles them to two holidays per month and double rate of overtime. However, since July 2007 when the Haryana government raised the minimum wages by nearly Rs 1000 to Rs 3510 the company has been employing several tactics to deny workers this increased rate. It restructured the shift system of work, lowered the overtime rates from double to single rates and appears to have manipulated its attendance books and accounts register. Recently, a day after large dismissals were implemented, 'T card' workers stopped work and sat out to pressurize the company to pay them outstanding overtime arrears and implement the new minimum wage rate. The company cited slack season and lack of work and only agreed to pay 2 hours of 'usual' overtime at double rate but all other overtime hours would continue to be paid at single rate.

It is worth pointing out that the 'usual' workday in small and large factories is 8+2 hours, i.e., it is customary practice and understood that workers will work beyond the 6pm end of shift hour to at least 8 pm. Most large factories do pay double overtime for these extra 2 hours of work, but invariably all smaller factories merely pay single rate for this 'usual' overtime. Any work beyond these 2 hours then entitles workers to an additional tea&snacks break at the shop floor at employer's cost and if work proceeds into the night then a dinner break on the shop floor again at employer's cost. In those cases, especially during peak season, when the overtime covers the entire night and workers are let off at 6-7am (only to return for the usual shift at 9-10 am) workers are given an additional tea break at employer's cost. Sometimes soft coercive practices are used to persuade workers that this is in their interests to work intensely and do the inhuman number of overtime hours since jobs will be lost if orders are not completed. At other times hard coercive practices are used and if workers do not stay for the extra overtime or do not show up for overtime on the weekly off day of Sunday then the wages earned during the previous shift are denied to them and in extreme cases they may be dismissed outright and not allowed back into the factory when they show up for the next shift.

Garments workers are almost always grossly underpaid for the long hours they are required to work. Denied a minimum wage and overtime pay in most instances garment

workers usually earn well below minimum wages. Women earn even less than prevailing wages for comparable work typically performed by men. Employers, and even government authorities, often justify low wages by claiming that the workers earn more than they would at in their home villages and towns from where they have migrated. Wages are low to begin with and their migrant status is exploited to extract extra rents from them by their landlords and provision stores and contractors.

Many garment workers never receive all of their meagre salaries. Unpaid wages is one of the most frequent complaints made by garment workers, particularly the casual/contract workers. Many workers do not have the necessary basic education to be able to maintain an account of the number of hours worked, overtime worked, salary advances taken etc. and the contractors take advantage of this to cheat them at the time of making payment. Mostly, sympathetic co-workers help them to keep track of their working hours and try to ensure that they get paid as close to the correct amount due to them as possible. Workers also lose productive time in another job because they have to make repeated visits to their old employer/contractor for their back wages and therefore risk losing their present jobs as well, if they have been able to find a new job at all. Some workers delay seeking fresh employment until they've managed to extract back wages precisely because they know they'll have to make repeated visits which will interfere with the new job which will be equally precarious. Not only are wages delayed for several weeks/months but the costs that workers have to incur to extract back wages are never taken into account – cost of travel, cost of credit to tide them over in the period of forced unemployment, and mental agony and stress.

Sarita is a 55 year old contract garment worker in Isha Collections (now closed) in Gurgaon. Her husband was very sick and she had to take emergency leave to attend to him in the hospital. Not only did the contractor at Isha Collections fire her but he also denied her back wages that would have enabled her to pay for her husband's funeral costs. We met her while agitating against the company and the contractor to ensure payment to contract workers who had gone on strike in 2006 and she tearfully recounted her plight to us and asked for help. "My husband is lucky he is dead. Death is better than this kind of life. What is the use of working for such people when they don't have the minimum decency to not harass a widow like me. If they can't help me that's one thing, but to deliberately harass me like this is a sin. They don't respect us while we are living, at least they should respect death. The hospital won't give me his body unless I pay them something but what is the point of getting his body too, I don't have any money to even cremate him. And this **** contractor, he says he doesn't have any money to help a poor widow like me, but he sure has money to come in on his fancy motorcycle with 2-3 mobile phones in his hand. Doesn't he have money to eat everyday. We don't even have that. And all this is because he steals our money. Our *malik* is good, he gives his ****contractor the money, but he doesn't pay us... .what am I to do... what do I do about my dead husband's body?"

Ramkher is a 38 year old contract garment worker at the same factory and he was fired for asking to be paid on time since his child was sick in the village and he needed to send money home urgently for the child's treatment. Instead the father was thrown out of his job for asking to be paid on time, not even early! This when on time usually means the 10th or 15th day of the next month and overtime payment on the 25th day of the next month. In a rare display of bravery Ramkher decided to lead the contract workers on a strike even if his child died during the course of the struggle. Fortunately, the striking contract workers won after nearly two months of struggle and Ramkher's child recovered but the family had to sell off their meagre assets in the village to pay for the child's medical expenses.

[Names changed to protect the identity of the workers.]

As Ramkher's situation above demonstrates workers are forced to give credit to their employers and even then they are the last ones to get paid – all other creditors' debts are cleared before the workers get their dues, sometimes only partial dues. This pushes them into deeper precariousness since they have to clear their monthly bills like rent, credit at the grocery/provisions store, debt servicing payments and yet are the least likely to have reserve resources to fall back on when their wages are withheld or delayed.

For many garment workers a weekly day of rest is at best a sporadic concession granted by employers rather than a right guaranteed by law. In fact it is common for employers to require their workers to labour seven days a week for months, even years, on end. There have been instances of workers dying on their machines and work tables out of sheer exhaustion or even illnesses that have been ignored for long. This researcher was told of many such instances during preliminary interviews conducted in 2005-06.

Another form of attack of labour and their dignity is the reinforcement of their "inferior" social and class position. Inferiority is marked and reinforced through many practices – lack of hygienic drinking water and toilets for workers while managers and owners enjoy bottled water and clean toilets. During meetings, workers sit on the ground while owners/managers sit on chairs and stools and enjoy shade while workers sweat it out in the sun. This researcher has first-hand experience of such practices. While supporting the contract workers strike at Isha Collections, this researcher was often offered bottled water and cold drinks as well as a stool to sit in the shade within the factory compound while the striking workers were not offered the same. Refusal of such 'hospitality' or insistence that only if all striking workers were offered the same amenities would the researcher also partake of the company's kindness only confused the 'concerned' company officials who could not understand the request!

Lack of health insurance, grossly inadequate wages, and separation from family and other support networks leave most garment workers dependent on their employers for medical care. In reality, many workers never receive adequate medical attention or treatment, even for work-related injuries, and are often required to continue working while ill. Employers are no more likely to ensure adequate medical treatment for injuries sustained on the job. Worse, the predatory employers and contractors force workers to sign blank sheets of paper at the time of hiring and use these conveniently to write workers resignations when they wish to fire them in order to avoid paying any statutory compensation or to write affidavits claiming that accidents did not occur at the workplace but outside the workplace in order to avoid paying medical expenses and workers compensation to the injured worker. Women workers rarely enjoy any rights to maternity leave. Indeed, in most cases those who became pregnant lost their jobs.

Many workers live in substandard, unhealthy and unsafe quarters with no regard for their dignity, privacy or personal security. These rooms are often windowless, 10x12 meant to house 2, but instead are shared by 5-6 workers in shifts. There is no separate kitchen and shared bathrooms that are never enough for the number of residents in the building. Workers face isolation, financial stress, and limited access to assistance. Many can see no way out of abusive situations. Already in debt, they typically face more expenditure if they want to return to their villages.

Workers also typically face restrictions on freedom of association and movement and organizing. They can be dismissed without wages if seen talking to seemingly suspicious

outsiders like buyers agents, researchers, students, and journalists. They face high levels of repression, intimidation, and threats. Not only at the workplace but even in their housing colonies as often the contractors' supervisors live amongst them and keep tabs on whom they meet and what they share about their working conditions. Migrant workers often face cultural differences and problems due to religion, language, region of origin, hostility from local workers.

Fracturing the workforce – different practices of segregation

If there is even a small older slightly more stable workforce in the factory, the casual/contract workers are kept separate from them. There are multiple practices of segregation. In some factories, entire floors of a factory are manned by different pools of the workforce. One form of segregation practiced puts the stable workforce on higher floors and the casual workforce on lower floors of a multiple level building and their entry/exit as well as break timings will be staggered to ensure that these pools of workers never cross paths and get a chance to interact. In another practice, different departments are staffed by separate pools of workers. For example, the tailoring department might be staffed by a more skilled and stable workforce that reports to factory employed supervisors while the finishing department might be staffed by casual and contract workers that report to the contractor's supervisors and who are not allowed entry into areas housing offices of factory supervisors and managers. This ensures that even if the casual/contract workforce has any grievance against the contractor, for example, non-payment of wages or abuse by contractor's supervisors, they do not have any recourse as the factory employed guards will prevent them from reporting the contractor to the factory managers or owners. Even if by any chance contract workers are able to penetrate the security cordon and present their grievances to the primary employer, they are simply instructed to sort it out with their contractor. So workers end up with no recourse for redressal of their grievances. Even if they could overcome fears of unemployment and contemplate approaching the labour department, they have no proof of appointment or employment at the factory and therefore have no *locus standi* to file a complaint.

Segregation also works as discrimination. Ostensibly to protect women workers from sexual harassment, employers seek to segregate them into different departments rather than ensuring education and supervision of workers to prevent sexual harassment of female workers. What this means though is that women are relegated to 'less skilled' and lower waged departments such as thread cutting, packing and finishing rather than being employed as tailors or supervisors, jobs that fetch higher wages. However, this farcical practice in fact intensifies the vulnerability of women workers at multiple levels. Low wages means that the women are unable to earn enough to support themselves and their families and hence are dependent on the contractor and his supervisors for monetary advances on their wages or on their favour to retain their jobs or ensure employment for their husbands or other relatives. This puts them at the mercy of the male contractors and supervisors who demand sexual favours in return. It further fractures the unity of the workers because these workers are also used to keep tabs on the workforce and in unusual times of protest actions by the rest of the workers, they become even more isolated because they are shunned by the rest of workers after having been identified as 'special' to the employers. Practices of segregation and isolation also extend outside the factory gates and into the lived environs of the garment workers.

Section IV
Fashion Express Karamchari Sangathan:
Challenges of forming and sustaining a garment workers union in Gurgaon

The factory Fashion Express Pvt Ltd was established in 1990 and most workers have been working for 12-16 years at the same factory. The factory primarily manufactures women's garments such as t-shirts, blouses and skirts and supplies primarily to mail order/catalogue companies in the U.S. such as Bedford Fair, Arizona Mail, Junonia, Potpurri, Country Store, Ashro Lifestyle, Silhouettes, Ulla Popken, Annie Sez, and Travel Smith. The firm also owns a showroom and a buying house in New York City that showcases the company's products and coordinate orders between its Indian factories and US customers. The company also owns additional units – Mamik International in Udyog Vihar and an unnamed factory in IMT Manesar (it is unclear if production has begun in this new factory).

The Fashion Express factory is registered in the name of Ms. Manju Mamik but managed by her husband Mr. T. P. S. Mamik, a retired army officer. Over the last two years day-to-day management has been taken over by their son, Mr. Gaurav Mamik. It is this latest transition and change in management style that forced the longtime workers to think of organizing themselves into a union.

In a significant departure from trends prevalent in other factories in the area, the workforce of this factory is dominated by women. Gendered work segregation is such that the highest paying jobs, tailoring and packaging are managed by male workers while the rest of the lower paying jobs are managed by women workers. Another difference is that most workers are in this factory are middle-aged (30-45 year old) and not young workers found in other factories (20-24 years old). Most workers live near the factory, although some do come from as far away as Najafgarh in Delhi. Most are 'local' women. All the women are married with school aged children and family responsibilities and most are sole breadwinners with their families dependent on their earnings. Education levels are very low and basic wages range from Rs 2800 – 5000. In addition workers had negotiated a bonus of 20% per year and annual increments of a nearly Rs 100. At its peak there were nearly 230 workers on company payroll and an additional 100-150 casual workers. Today after a series of strikes and lockout all casual workers have left and only 90 company workers (including 50 women workers) are left fighting the battle.

Trouble in the factory in fact began two years ago in 2005, with discriminatory disbursement of bonus and annual increments under the new manager, Mr Gaurav Mamik. Once workers realized that they had not all been given the same bonus amount, they all returned the bonus with the exception of a handful of workers. The workers also lodged complaints on the bonus issue with the Deputy Labour Commissioner, labour officer, and the area police station house officer. Disgruntlement among the workers was running high and workers were openly discussing this issue on the shopfloor and passing adverse remarks about the new managerial practices. In these circumstances, on 11 Nov 2005, 2 women workers (Suman and Veena) were called to the owner's cabin for having made adverse remarks about the bonus issue. The owner/manager abused and insulted these workers and made sexually explicit remarks about what he will do with them and what his money can do to them. The workers were not frightened. In fact these 2 workers tried to file a sexual harassment case against the owner/manager but as is usually the case when workers try to file any complaints against management, police refused to file an FIR (First Information Report). Workers then took the help of a lawyer and asked the court to intervene.

Meanwhile the workers began earnest attempts to register an employees union. They began the process in 2005 but faced management harassment in the sense that forms would disappear, verification would not be facilitated by factory owners etc. but there was no outright victimization of union leaders or workers. Finally the union, Fashion Express Karamchari Sangathan, was registered on 13 June 2006 (affiliated to AITUC) with 160 workers as union members.

It took a year for the case to wind its way through the judicial system and came up for hearing on 22 November 2006 in the local court in Gurgaon. The day before the hearing, on 21 November 2006, Mr Gaurav Mamik went to the complaints' homes (Suman and Veena) and threatened them with dire consequences if they did not retract their complaint. While one worker succumbed to the pressure the other refused. The next day, on the day of the hearing, the judge sent both Mr Gaurav Mamik and Mr TPS Mamik to jail/judicial custody for 24 hours. A couple days later on 24 November 2006 – Suman accepted the settlement forced upon her by management as she was unable to speak up in court when the judge questioned her 3 times. And on the same day management dismissed 4 people: Satbir Singh (Union President); Babulal (former gen sec of union); Anand Kumar (Treasurer); Shyam Dutt Salwal (worker). [In March 2007 Babulal and Shyam Dutt took a management settlement of approx. Rs 1-2 lakhs and left the company]. In addition the owners approached the Chandigarh High Court for a stay order/quashing of complaint in the lower court claiming that it was a false complaint. Both these cases (in the lower court and the High Court) are going on and have not reached final resolution.

There was further trouble in March 2007. On 20 March 2007, Mr Gaurav Mamik called only 4 women into his office, including Veena who had filed the earlier sexual harassment case against him. He asked these 4 women to stay for overtime. 2 refused as Navratras were starting the next day and they had to buy essentials; Veena refused because she had never been given overtime before; another also refused. Union intervened also and told the owner that all production would be taken care of by other workers but these 4 should be allowed to go home.

The very next day, on 21 March 2007, at 5:45 pm [shift ends at 6 pm], Mr Gaurav Mamik personally came to the shopfloor on first floor of the factory and individually asked these same 4 women to report to his cabin. They went in ones and twos. There he presented them with papers and asked them to sign. They asked what it was. He said it was their suspension letters. They protested and were told that they were being suspended for not staying for overtime the day before. He came around the desk and grabed a woman's hand to force her to sign. She resisted and in the ensuing pushing/shoving, her blouse got torn. Another woman ran out of cabin screaming. Rest of the workers rushed into the cabin. Mr Gaurav Mamik locked himself into the bathroom and called the police. Police arrived in the factory and escortedGaurav Mamik out but refused to register a complaint of sexual harassment against him even though all the workers were agitating for the same.

This forced 40 women to sit down on the shopfloor and refuse to leave until the police registered a complaint against Mr Gaurav Mamik. The women workers occupied the factory for 19 days – from 21st March to 8th April when a settlement was reached between the union and management. During this time a report by the National Commission for Women was submitted to Mr Gurudas Gupta (MP, Lok Sabha), Haryana Labour Secretary and Haryana Home Secretary on 23 March 2007 supporting the workers claims and complaints.

The main points of the settlement between union and management were:

- Previous year's increment (yearly raise) will be given to workers according to their performance
- That wage deduction on 1 May 2006 will be restored to all workers
- Yearly holidays will be increased from 8 to 10 days
- The 4 women suspended on 21 March 2007 will be taken back
- The issue of bonus and yearly travel allowance will be sorted out with the union subsequently
- Satbir Singh and Anand Kumar's termination are commuted to suspension and if the environment in the factory remains fine for 1 ½ months then they will be taken back on duty
- During the 19 days dharna, no work-no pay rule will apply
- All workers will given an undertaking to remain disciplined and give full production
- All complaints submitted by both sides during this period will be taken back

However workers reported that management breached the settlement since:

- Satbir Singh and Anand Kumar had not been taken back on duty even after lapse of 3-4 months
- Bonus was given on discriminatory basis again

On issue of taking back Satbir and Anand when union met management towards the end of May 2007 Mr Gaurav Mamik asked for another 15 days saying he wanted to assess the production levels of the workers. However even after the 15 days there was no response from him on this issue. Instead from July end Mr Mamik stopped all production in the factory and moved out all managerial and supervisory staff and stopped paying the workers who were still reporting daily to the factory. On 22 September 2007, management enforced a lockout on the factory and all the 90 workers sat at the factory gate in a 'dharna' until the issue is resolved with the intervention of the Haryana Labour Department. Unfortunately, the matter dragged on for many months and ultimately the workers had to seek the help of a local political functionary to force management to settle and pay workers their legal dues. Most of the workers received their settlement dues a day before Diwali in November 2007 except for the workers against whom court cases had been initiated by company management. The workers at Fashion Express consider themselves a bit lucky as they received at least some financial settlement unlike most garment workers who end up having to forgo their earnings in their grossly unequal battle with their employers.

The changing nature of employer-employee relationships over the course of the existence of Fashion Express mirrors, albeit partially, the changing production and employment structure in the garment industry. Workers who had been with the company since its inception in the garage of the owner's small Delhi home, recalled alternately with nostalgia and bitterness the close familial relationships they shared in the early days of the formation of the company. They recalled fondly how the same Gaurav Mamik who today was harassing them and treating them like dirt, would play with them both on the shopfloor and after work in the fields surrounding the factory, how as a child he would steal food from their tiffins and yet would also occasionally bring treats to share with them. In the eyes of the workers, as the company grew and Gaurav Mamik gained international exposure and got caught up in the web of international buyers and production for the international market, he increasingly became a cold-hearted stranger driven only by bottomlines and profit margins

with out any thought for workers who were also human beings with whom he onced shared a warm and familiar/familial relationship. While the employer increasingly resorted to the professional language and services of HR managers and the personnel department, workers continued to approach him in the old-fashioned manner hoping to resolve matters with one-on-one discussions.

The different trajectories and results of struggles at Isha Collections, V&S International and Fashion Express illustrate the multiple tropes of unequal power relations that exist in the Gurgaon garment industry and one can safely generalize and say that these struggles demonstrate the unequal power relations that permeate the capital-labour relationship in the garment industry.

Endnotes

[1] Meenu Tiwari (2005): 2.
[2] Ibid: 4.
[3] This study focuses only on the export garment industry that produces 'woven fashion garments' that north Indian firms specialize in. Production of other categories of this industry such as casual garments (especially knitted), woollens, uniforms, home furnishings, automotive and industrial textiles, and made-ups have different demand and supply dynamics and product cycles. An in-depth analysis of all these segments of the industry is beyond the scope of this study.
[4] Garment(s), apparel(s), clothing, made-ups are used inter-changeably throughout this report as they all refer to the same industry where the cloth produced by the textile industry is cut/sewn or processed in some additional form to produce garments, apparel, clothing or made-ups.
[5] Chatterjee and Mohan (1993): M-112 and Nordås (2004): 13.
[6] Figueroa (1996): 5.
[7] There was much debate on objective criteria to determine what constituted 'market disruption'. However, since this concept remained vague, it was used to justify the restriction of most textile exports from developing countries to the US and EU.
[8] Baden (2002): 52.
[9] Ibid: 56.
[10] Clairmonte and Cavanagh (1981) estimate that gross margins represent as much as half the retail price of textile products (18).
[11] Byrne (n.d.): 10.
[12] Ramaswamy and Gereffi (1998): 122.
[13] Ibid.
[14] Ibid: 123.
[15] Gereffi and Memedovic (2003: 20) note that the 10 year phase-in period for NAFTA has allowed Mexico to move from assembly to OEM production as more and more of the apparel supply chain (cutting, washing, textiles) are moving to Mexico to take advantage of the progressive elimination of tariffs. Similarly, quota restrictions under the MFA forced the Asian NICs to move up the chain to OEM and OBM production while setting up their own production facilities in neighbouring low-cost Asian countries with unused quotas, thereby creating a regional network of apparel value chain.
[16] Surendar and Rajshekhar (2004).
[17] Dutta (2003): Part 6.
[18] Quoted in Mital and Dogra (2005): para 6. Also see, "Creation of Air Cargo Hub at Delhi to Reduce Cost and Boost Trade from North India," at www.apparelresource.com which estimates that Indian exporters lose 15-20 days compared to China and that freight rates from China to Europe and the US are lower than those from India.
[19] "Creation of Air Cargo Hub at Delhi to Reduce Cost and Boost Trade from North India," at www.apparelresource.com.
[20] See Ascoly (2003): 8 and Apparel Price Pressure Presentation.
[21] Scheffer cited in Ascoly (2003):5.
[22] Discussion based on Ascoly (2003).
[23] Zadek cited in Ascoly (2003): 6.
[24] Siegele quoted in Ascoly (2003): 6.
[25] Dutta (2003): Part 7.
[26] Ascoly (2003): 3.
[27] "Textile Industry to Grow Manifold," *The Economic Times*, 28 February 2005.
[28] Discussion based on Fibre2Fashion Report, 2 February 2004, available at www.fibre2fashion.com.
[29] As compared to the estimated 1.2 million employed in the IT sector, and about 650,000 in the booming Business Process Outsourcing industry (Ministry of Textiles, Annual Report, 2004, Nasscom 2005). Cited in Meenu Tiwari (2005): 7. Tiwari also pegs the textile and garment industry's contribution to GDP at 7%, arguing that working backwards from actual export figures to GDP shares, the figure computes closer to 7% than 4% of GDP which is considered the standard figure.
[30] By way of comparison, India's fastest growing sector, IT and IT enabled services, had $9.9 billion in exports in the same year (Nasscom, 2005:26), cited in Meenu Tiwari (2005): 8.
[31] UN Statistical Division, 2005, Ramaswamy and Gereffi 1998, cited in Meenu Tiwari (2005): 8-9.
[32] McKinsey Report 2004.
[33] Ramaswamy and Gereffi (1998): 122.
[34] Meenu Tiwari (2005): 12-13. Emphasis added.
[35] Ibid: 22.

[36] Ibid: 33.
[37] Hudson (2001): 49.
[38] Christopherson (1987).
[39] *Monthly Review*, April 2004.
[40] Quoted in Editors, *Monthly Review*, April 2004.
[41] Discussion in this section is based on unpublished studies and position papers circulated by the New Trade Union Initiative during its founding conference in March 2006 in New Delhi and *Management of Contract Labour in India*, edited by M.S. Ramanujam and J.S. Sodhi, Shri Ram Centre for Industrial Relations & Human Resources, New Delhi 2004.
[42] In one instance, the researcher was asked by a labour department official to contact each labour officer individually to inquire how many garment units fall in his jurisdiction and the average number of workers employed in these units.