

**Garment Embellishment Industry in India: Home based Workers in
Value chains
Gujarat Institute of Development Research, Ahmedabad
*Final Narrative Report***

**Key Results, Recommendations for Policy Advocacy and Evidence of Successful
Dissemination**

Genesis of Study

The Ministry of Statistics and Programme Implementation, Government of India in May 2007 set up an Independent Group (IG) on Home-based Workers (HBW) in India. The IG recommended conducting Value Chain Studies of sectors which are known for subcontracting activity such as the garments sector, textiles, auto-components, etc. It was in this context that GIDR undertook the study of Home-based Workers in Value Chains in the garment embellishment industry. The objective of the research project was to understand the system of production within the home-based informal garment industry and the position of home-based workers. While, national level data can mainly help to estimate the number of home-based workers, for policy advocacy for these workers it is necessary to understand the working of the complete value chain, including the institutions involved and the various nodes where power is concentrated.

Evidence of Successful Dissemination

One of the purposes of this study was to better understand the place of home-based workers in the production chain for enhancing policy advocacy work. In this context a very clear dissemination strategy was followed.

Brainstorming Sessions We presented preliminary drafts of the analysis of the survey data in brain storming sessions with scholars at Madras Institute of Development Studies (MIDS), Chennai and Centre for Development Studies (CDS), Trivandrum during July 2009. The sessions were attended by a large number of academics including those engaged in work on production chains at MIDS and on technology and growth of small firms in CDS. The comments and suggestions emerged from those sessions are incorporated in the report.

Presentation at a National Convention The final paper was presented at a **National Convention on Making Growth Inclusive: Opportunities, Scope and Challenges** during October, 26-28, 2009 at Ahmedabad. This Convention was attended by Professor member of the Planning Commission, Prof. Y.K. Alagh former Central Minister, Andrew Shepherd, Chronic Poverty Research Center, Manchester, Professor T. Papola and Alakh N. Sharma of the Indian Society of Labour Economics, Shri P. K. Laheri former Principal Secretary Government of Gujarat, Ms. Jayanthi Ravi, IAS Gujarat, Prof. Sebastian Morris IIM Ahmedabad, Prof. Tushaar Shah International Water Management Institute, Profs. Maithreyi Krishnaraj and Indira Hirway gender specialists and many other academics, NGO representatives and government officers from the states of Tamil Nadu, Madhya Pradesh and Orissa. (Note on Convention Proceedings attached.)

Publication of Paper The importance and relevance of our work was noted immediately by those present from the Indian Society of Labour Economics. The paper titled “*Governance Structures and Labour Market Outcomes in Garment Embellishments*” was accepted and will appear in a **Special Edition on Global and Domestic Production Chains, Indian Journal of Labour Economics**, 2009, Issue Number 4. (Email of acceptance is attached and final paper will be sent on release of the publication).

Key Results of Study

Mapping the Value Chain Globalization has integrated production systems in global value chains. We identified international and domestic value chains and mapped them till the bottom-most segment the home-based workers. We noted that the governance structure along the international and domestic chains had subtle differences. We have mapped the value chain in terms of the production process and through the network of agents.

Control over the Home-based Workers Two type of governance structures operated along the chain: control over work processes and control through social institutions based on religion, caste, gender and space. These controls affect the earnings, product outsourcing and mode of payment of different agents in the network. In the *export chain*, governance is through the production process itself, lead time and quality parameters play a crucial role in controlling the agents. These pressures are passed on to the agents lower down the chain and final squeeze falls on the workers in the form of wage cuts and deferred payment. The comparative advantage in the cost of labour in international chain is largely realized through outsourcing to home based workers whose work place is at home and is mostly women. In the *domestic chain* lead time and quality parameters are much more relaxed compared to international chain, and control is through a much more subtle system of social structures. Control over the home-based workers is maintained through a system of sub-contracting mainly using religious and caste based links. Lack of mobility of the women leads to their limited options and keeps them tied to these contractors as home-based workers.

Entry and Exit from the Chain The study sheds some light on the implications of entry into and exit from the international chain for workers including home based workers. Given a choice, enterprises and workers prefer to work in the domestic chain compared to international chain. This appears contrary to common perception. Working in export market is risky and uncertain due to strict controls through lead time and quality parameters. The earnings from export products are not adequate enough to compensate for the risks and uncertainties associated with it. Also there are no evidences which show improved working conditions for those workers engaged in the global network. Of course, there are attempts on the part of international agencies through alliance with international retailers to ‘clean’ the international chain but their actions remain futile due to structural factors. The social embeddedness of the network ensures that agents choosing to opt out of the international chain are able to insert themselves in the domestic chain more or less on equal terms.

Working conditions We noted the working conditions of the workers in this industry, particularly the women home-based workers, was very poor. Low remuneration, no assurance of minimum days of work, deferred payment, and unexplained rejections and deductions from the wages. Low levels of education and the social context did not provide scope for upward mobility, particularly to the women.

Recommendations for Policy Advocacy

We present here only recommendations which arise directly from our observations and analysis of our results. The interventions suggested in the National Home-based Worker Policy are obviously very relevant for the home-based workers in embellishment industry.

1. **‘Geographical Indicator’** A method of increasing the value addition of the embellished products would be get some form of ‘geographical indicator’ status, such as is possible for say ‘basmati rice’, ‘kancheepuram sarees’ or ‘Darjeeling tea’. The *patents* on products based on geographical indicators of cluster would give more value to their products since Bareilly had established a niche for its own speciality in embellishment work.

2. **Direct Link with Retailers** Our discussion with contractors and workers in Bareilly revealed that one of their major demands is to have direct links with international retailers avoiding exporters in Delhi. They pointed out several examples where they were cheated and manipulated by exporters. Because of rejections they face unnecessary shipment charges. The discussion with workers also raised the similar concerns like the need for direct export from Bareilly to foreign countries. The main demand of the contractors and enterprises was for removal of the middleman in Delhi and an institutional channel to contract directly with the retailers, both export and domestic. This would increase their share of the margins and therefore increase profits.

3. **NGO-Linked Production** The role of the middleman could be replaced by large NGOs who the women feel more confident working with given the social embeddedness of the production chains we noted. The distribution of work orders and checking of garment before sending back to garment units could be done through NGOs. This would help to avoid unnecessary rejections and loss of wages. The activities of SEWA in Delhi provide an example in this regard. Apart from training, SEWA through its direct contact with garment units in Delhi distribute the work directly to home based workers. The checking of garments is also done at the premises of SEWA itself.

4. **Garment Cluster** A cluster based approach would be helpful for home based workers to achieve mobility within a chain. This would help them to access input and output market given the context of severe restrictions on their physical mobility due to their religion, class and gender. There should be institutional support for child care within a cluster as it would enhance the productivity of home based workers.

5. **Minimum Social Security** There should be attempts to provide the home based workers with minimum securities in terms of minimum wages, minimum number of days of employment and non-wage securities. The wages of home based workers should follow at least legal minimum wages. Their wages also should be in par with the wages of non-home based workers. They should be guaranteed with minimum days of employment. The home based workers should be covered under health insurance schemes. At present only the workers engaged in the production networks of a few international retailers are covered under health insurance. Such schemes are confined to a few production networks who are members of NGOs such as Ethical Trading Initiative. The majority of the workers stands outside the purview of this scheme and hence should be extended to other international and domestic production networks.

6. **Common Infrastructure** There should be provision for improving the working conditions of home based workers. The home based workers are mostly seen to sit and work in open spaces of their house due to lack of space and electricity. There should be provisions for improving the housing conditions and ensuring continuous supply of electricity. Provision of common work shed where the women workers could work together with basic facilities of electricity, water, toilets etc. would help improve productivity and help solidarity building a first step to organization.

6. **Electricity Supply** The focus group discussions with workers revealed that continuous supply of electricity is one of their major demands. The villages are usually deprived of continuous supply of electricity. An important reason pointed out for the absence of 'naphiri' system in villages is intermittent supply of electricity. The 'naphiri' system provides workers an opportunity to work continuously for 8 hours and thereby improve their earnings.

7. **Skill Training** The NGO-industry collaboration on training programmes and distribution of work to home based workers could be initiated. As seen in the previous chapters, the home based workers in embellishment industry have acquired their skills through informal networks of relatives and friends. Their only source of skill up gradation is informal networks. A formal training programme in collaboration with NGO would help them in the up gradation of their skills and meet changing demands of the market.

8. **Education** In order to ensure a better future for the next generation special scholarship schemes for the education of children of home based workers could be initiated. This would reduce the drop-out rates and incidence of child labour in the industry. The average years of formal schooling among workers are very low and drop-out rates are very high despite provisions for schooling in each *mohallas*. The financial burden of sending children to schools due to poverty can be reduced to a certain extent through scholarship programmes.

9. **Identity Cards** There are other areas such as artisan card, health insurance and credit where state can intervene more effectively. The ministry of textiles through Bareilly Home Workers Group (an NGO associated with Ethical Trading Initiative)

issues artisan cards to skilled embellishment workers. This card declares the worker as a skilled embellishment worker. Also the holders of this card are entitled for health insurance up to Rs. 1500 per person and also credit worth Rs. 50000 without any security and interest. Usually the health and credit facilities are available for one year. At present these facilities are available only to those workers engaged in global production networks who are members of Ethical Trading Initiative. These benefits should be extended to all the workers irrespective of international or domestic network.

10. ***Governance at the local level*** According to workers, they do not approach state officials since bribes are mandatory. Many workers reported that it is quite common among the state officials to ask for bribes in the form of sarees, salwar suits and dupattas. Such instances prevent people from approaching the state for any kind of resources. Discussion with state officials revealed that other credit facilities available to artisans such as availability of loan through nationalized banks up to Rs.2 lakhs with an interest of 11.5 percent per annum (artisan products as security) would be implemented in Bareilly soon. Even though there are interventions on the part of the state, our field work reveals that workers do not have much confidence in state resources because of corruption and nepotism.

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