

What matters for labour standards in Indian garment factories?

The impact of regulations, factory size and markets on labour standards in the Delhi garment industry

Ravi Srivastava*

1. Introduction: Changing Structure of the Garment Industry in India

In this paper, we examine whether and to what extent the scale/size, and market orientation of firms impact on labour standards among first tier supplying firms in garment manufacturing in India. The bulk of these cater to export markets and are integrated in Global Commodity Chains. Both scale/size and market orientation determine the extent of state and non-state regulation which the units are subject to. Further, scale and market orientation can also influence labour standards due to changes in production-organisation and technology (economic upgrading), possible levels of labour association, and other channels.¹

Employment relations in the factory sector, of which these firms are a part, are the focus of the current phase of labour reforms in India. These policy reforms aim at greater flexibility in hiring and firing labour in response to perceived labour market rigidity, in particular, they aim at increasing numerical (or job) flexibility, working time flexibility and wage flexibility. They also aim at modifying industrial relations legislation with the aim of making associational rights and the industrial relations environment more orderly, ostensibly to reduce the transaction cost for employers. In contrast, the global social audit systems are struggling to introduce core labour standards and worker safety in garment value chains, with very limited success.

The garment industry is an important contributor to India's manufacturing GDP, exports, and employment. The GVA in garment industry is about 4.1 percent of manufacturing GVA.² India's foreign trade data shows that total textiles and clothing exports were 12.6 per cent of all merchandise exports in 2012-13.³ Both due to the structure of the garment sector (its high concentration in the unorganised sector) and high labour intensity, employment in the sector is very high. In the last three decades, total employment in the sector estimated from national sample surveys on employment and unemployment carried out by the National Sample Survey (NSS) organisation, shows an increase from 3.17 million in 1983 to 9.18 million in 2011-12. The share of garment manufacturing employment to total manufacturing employment increased steadily from 9.9 per cent in 1983 to 16.6 per cent in 2011-12. Female employment in the garment industry has grown at a faster rate than male employment, with the share of female workers increasing from 30 percent in 1983 to 40.3 percent in 2011-12. One should also note that

* Professor of Economics, Centre for Regional Development, Jawaharlal Nehru University. ravisriv@gmail.com. This paper draws on a study on "Labour Conditions and the Working Poor in India and China" funded by ESRC, UK. Support given by Alessandra Mezzadri, who was also the co-investigator of the India garment study, Jens Lerche who assisted in the evolution of this study at every stage, and other members of the core team is gratefully acknowledged. Research support to the study was provided by Anns Isaac, Shrinivas Pandey, Protap Mukherjee and Navneet Manchanda.

¹ Existing literature treats the issue of scale and economic upgradation in conjunction with the issue of location of firms in the GCCs (see Posthuma and Devnathan 2010, and Merk 2012), whereas in this paper we delink the two by also considering firms which cater primarily to domestic markets.

² Estimates of GVA have been made from unit data of the Annual Survey of Industries for 2010-11 (for the organized segment) and from the unit records of the 67th Round of the NSS on *Unincorporated Non-agricultural Enterprises (Excluding Construction)* (for the unorganised sector).

³ Accessed from http://texmin.nic.in/sector/note_on_indian_textile_and_clothing_exports_intl_trade_section.pdf on May 15, 2015

most of garment production in India is still in the unorganised sector. Our estimates show that the gross value added in garments in the unorganised sector was 61.9 percent of the total Gross Value Added in the garment industry in 2010-11. We will revert to the structure of employment later in this section.

India's garment exports were negligible till the 1960s and were only about 36 million US\$ in 1970-71. These exports grew to 751 million in 1981 and increased sharply to reach 2.38 billion in 1991. Between 2000-01 and 2013-14, exports rose from 5.6 billion US\$ to 14.9 billion US\$. The initial growth in Indian exports took place under the global quota regime of the MFA and was driven by international demand for Indian garments made from handloom and cotton fabric. With the growth of GCCs in garment production, Indian exporters were also integrated into the GPNs. The MFA regime was phased out between 1995 and 2005, and India also made significant policy changes to liberalise production in the garment sector, along with equally significant changes in the textile sector, in order to take advantage of the post MFA liberalized trade regime.

India's integration in the GPNs followed a regionally differentiated growth pattern in several distinct nodes/clusters across the country. While the main clusters in the North specialized in wovens and women's fashion garments, often with embroidery work and other embellishments, garment clusters around Bangalore and Mumbai specialized in more standardised woven outerwear, while those in Tiruppur and Kolkatta specialized in knitwear. According to a study carried out for AEPC (AEPC 2009), there were nineteen major garment manufacturing clusters in India. These nineteen clusters are estimated to account for 95 percent of the country's production, whereas out of these, twelve larger clusters accounted for 85 percent of the country's production (ibid.). Out of the twelve large clusters, the share of exports in total turnover exceeded more than fifty percent in seven clusters, whereas in the case of Mumbai, the share of exports in total turnover was estimated at about 40 percent. The domestic market accounted for 80 percent or more of the total turnover in the remaining four clusters.

As noted above, these clusters have evolved with distinct characteristics due to the interaction between institutionally embedded histories and localization/agglomeration economies, in the context of emerging global markets (see Mezzadri 2010, 2014). But since national markets are also important final destination of garment produced, the GPN approach requires to be accordingly extended.⁴ The distinctive characteristics of the garment industry at the broad regional level in India is brought out in Table 1 which summarises a few indicators (percentage of output, employment in large-scale factories, engagement of women workers; engagement of workers through contractors) for the factory sector.

Table 1: Regional Characteristics of Garment Production in the Factory Sector, 2011-12

Region	% of Total Workers Engaged in Factories employing More than 1000 workers	% of Total National Factory Output	% of Female Workers Among Directly Engaged Workers	% of Contract to Total Workers
North	35.0	41.4	14.3	35.2
East	0.0	2.0	13.6	31.1
West	2.6	14.2	29.8	30.0
South	57.3	38.4	71.2	4.1
All India	46.7	100.0	54.8	15.2

Source: Computed from unit data of the Annual Survey of Industries, 2011-12

⁴ The term "Global Production Network" is currently used to describe not only market based relationships between global buyers, firms in the supply chain, and the market intermediaries but also the distinct institutional political and social settings of the different locations in which these different production relationships are based (Posthuma and Devnathan, 2008, p. 5, Barrientos 2008) but a large part of Indian garment production is aimed at the domestic market .

Among these clusters, the focus of this paper is on the large garment cluster in and around Delhi, more specifically, in Delhi (Okhla), Gurgaon, and Noida, in the National Capital Region (NCR). The NCR is the largest garment cluster in North India, and together with other clusters in the regions, and accounted for about 36 percent of India's exports in 2012 (Infodrive, 2013) As mentioned earlier, this cluster specialises in ladies fashion garments, although a few firms also produce knitwear (AEPC 2009, also fieldwork). Arisanal garment production in Delhi has a long history but modern garment manufacturing received a fillip with the formation of industrial estates, providing land and other infrastructural facilities to small scale manufacturers. Among these industrial estates, the one in Okhla is the most prominent and gradually emerged as the largest garment manufacturing cluster in Delhi, with its firms acquiring an export orientation. Since the late 1970s, while the concept of a National Capital Region has enabled greater mobility across states and areas bordering Delhi, these neighbouring states have also made a concerted effort to attract industrial capital by setting up industrial estates and parks, and export processing zones which offer additional tax incentives as well as a more liberalised environment to manufacturers. The New Okhla Industrial Development Authority (NOIDA) was a special initiative taken the government of Uttar Pradesh in 1976, while the Central government also set up an export processing zone (EPZ) within it in 1985. Similarly, the state of Haryana made special efforts to attract industry, with Udyog Vihar and IMT, Manesar, in Gurgaon emerging as two prominent destinations for small, medium and large industries. With shortage of land, and rise in infrastructural prices as well as regulatory oversight, older garment manufacturers in Okhla, as well as other entrepreneurs have set up units in NOIDA and Gurgaon. Garment units are now the largest employers in both these areas, and garment production in both Gurgaon and Noida has overtaken that in the older Delhi cluster. The garment cluster in the Delhi NCR is mainly export oriented, with an estimated 82 percent of its turnover meant for exports (AEPC 2009). The linkages of the cluster spread well beyond the NCR into the rural hinterland in neighbouring states, with the first tier suppliers relying on ancillarisation and several layers of sub-contracting, right up to small own account units operating in neighbouring states, while circulatory migrant labour, too, is drawn from other states (Mezzadri 2010, 2014).

From the very beginning, India's garment production has been small-scale, fragmented, dispersed around a number of nodes, and incorporated in smaller domestic buyer driven value chains. It would be useful to remind ourselves that a large percentage – by one estimate, nearly 64 percent of garment production in India ends up in the domestic market, and changes and growth in the domestic market have been important drivers of changes in Indian garment production (NPC 2010).⁵ The growth of the modern retail sector in garments, and the growth and establishment of Indian garment brands, along with franchised brands, has given a fillip to organised large scale mechanised and non-mechanised production facilities, owned or outsourced by large domestic retailers.

The small and fragmented nature of the garment industry in India is rooted in the historically decentralized nature of yarn, textile and garment production in the household sector, although bigger manufacturing centres (karkhanas) did exist even in pre-colonial times. The subsequent import of textiles from Britain, and their mill manufacture in India weakened, but did not destroy the small production character of the garment and textile sector. In the post-independence period, industrial policies incentivized household and small-scale production, through fiscal incentives and reservations. The value chains that emerged with domestic buyers at the apex, incorporated the small units in the garment clusters, and through them, home based production at the lower ends of the value chain.

Further changes in policy, encouraging the growth of the large-scale sector in textiles and garments were put into place only from the mid-1980s. Reservation of garment manufacture for the small scale sector has been abolished in 2000 (for knits) and 2004 (for wovens). Minimum export requirements for large units and units set up with FDI have also been done away with and entry of FDI into the sector has been

⁵ An earlier estimate puts domestic consumption of garments at 55 to 65 percent of total production in the late 1990s (US Department of Trade 2002).

liberalised. Excise and tax concessions are now only available to units located in EPZs and SEZs. Liberalisation of international trade and the changes in textile policies have given a greater fillip to use of man-made fibres in garment manufacture.

These policy changes also coincided, on the one hand, with the increasing export orientation of the textile and garment manufacturing sector, putting costs and global competitiveness on the policy agenda, and on the other, the incorporation of the Indian production networks in several regional nodes, into global production networks, and the global buyer driven commodity chains. The global commodity chains in which the global buyers are linked to the final markets, and provide suppliers with customized designs and orders, preside over a global governance system with a new logic of production for the domestic producers, dictated by international competition in terms of design implementation, quality, prices, requirements of just-in-time production, and greater volatility in demand, but also codes of social standards.

At the domestic level, however, the lead supplying firms have to set up a governance architecture, consisting both of intra-firm structures and labour relationships, as well as inter-firm structures and intermediaries, which are influenced by the socio-cultural, political, institutional, and regulatory context at the local and regional level, in which the firms operate, so that they can meet the contradictory pushes generated by the buyers. On the one hand, this has dictated a greater degree of control over the production process through vertical integration and use of production engineering techniques to optimize productivity. On the other hand, firms try to reduce labour costs and acquire greater flexibility through outsourcing labour employment, production capacity and ancillary work, thereby insulating themselves from downside risks. There is, thus, a hierarchy of producers and workers in the supply chain. This includes the fragmented workforce in the production facilities owned by the producer (but not always managed by him), one or more layers of sub-contracting firms, often ending with home based units or homeworkers – mainly women and children, with value extraction being managed by contractors and agents.

Since the governance of firms embedded in the GPNs and those that are domestic value chains can be expected to be different, one of the questions that arises is whether this has a different implication for the conditions of labour. A related issue is the type of regulations that firms embedded in the GPNs are subject to and the implications for workers' conditions. Consumer concerns over the conditions of workers in the global value chains has led to monitoring of labour conditions down the supply chain, either by the buyers, or by third party audits. There is now a vast literature on the impact of social audits on working conditions in garment conditions. These audits are considered to comparatively more effective at the higher levels of the supply chain, especially for the workers employed by the bigger manufacturing firms, than at the lower levels (Barrientos, Mathur and Sood, 2010). But, in any case, similar regulation is absent for domestic firms in all layers. For higher levels of the value chain, at east, this could further amplify the differences in working conditions between the two types of firms – export and domestic oriented.

The liberalisation of the garment sector appears to have had a dramatic impact on the growth and structure of garment production in the factory sector, where the first layer of manufacturers and manufacturer/exporters is located. First, in terms of overall growth of the factory sector, the number of units grew by 2.2 percent a year between 1998-99 and 2011-12 and the workers engaged in garment factories grew at the healthy rate of 7.6 percent a year. All size classes of factories shown below experienced a positive rate of growth both in the number of factories and workers employed. But the larger size class of factories (employing 500 to 1000 workers, and more than 1000 workers respectively) experienced much more rapid increase in both the number of factories and workers employed, leading to a significant rise in the shares involved. This is shown in Table 2. The smallest size class of factories comprised 69.3 percent of all factories in 1998-99, but this share came down to 41.2 percent in 2011-12. On the other hand, the largest size class of factories, with more than 1000 workers comprised only 6.9

percent of all factories, but this share went up to 41.2 percent in 2011-12. The share of the largest size class of factories in turnover/output went up from only 4.8 percent in 1998-99 to 30.2 percent in 2011-12 .

In 1998-99, the smallest size class of factories engaged just over a fifth of the workers but this share came down to only about 12 percent in 2011-12. About half the workers' employment was concentrated in 1998-99 in factories employing 100 to 500 workers, but this came down to only about a quarter in 2011-12. On the other hand, the share of the largest factories in worker employment went up from only 8.7 percent to 46.7 percent in 2011-12. there was, thus, a dramatic reorganisation of the factory structure in garment production, consequent upon the policy changes that took place after 1995. In effect, these changes have led to an "economic upgrading" among the first tier garment manufacturers, and to the extent that the economically upgraded firms are better regulated and technologically more modern (also in terms of labour requirements), this should also lead to better labour standards, or what has been described as social upgrading.⁶

Table 2: Changing Structure of Garment Factory Production, 1998-99 & 2011-12

	Size class of Factory (by number of workers)			
	<100	100 to 500	500 to 1000	>1000
Percentage of Factories				
1998-99	69.3	20.9	2.9	6.9
2011-12	41.2	14.1	3.4	41.2
Percentage of Output				
1998-99	50.3	36.0	8.9	4.8
2011-12	31.0	29.4	9.4	30.2
Percentage of Workers				
1998-99	22.7	50.4	18.1	8.7
2011-12	12.2	25.9	15.2	46.7

Source: Computed from unit data of the Annual Survey of Industries, 1998-99 & 2011-12

However, the existence of labour standards in the garment industry depends both on labour conditions in the superior production nodes but also on how production has been restructured overall between the different types of nodes, both in the formal and informal sectors. Although, this is not the focus of this paper, some characteristics of the overall changes that have taken place do need to be pointed out.

The Employment-Unemployment Surveys carried out provide estimates for workers engaged in garment manufacturing by activity status viz. workers regularly employed, casual workers, and the self-employed. The first category also includes piece rated workers. Between 1983 and 2011-12, the percentage of regular/salaried workers more than doubled - from 11.3 percent to 24.7 percent, while the share of casual workers declined from 8.6 percent to 5.9 percent, and the share of self-employed workers declined from 79.6 percent to 69.4 percent. Although the percentage of self-employed workers (including homeworkers) remains high (and is higher still for women workers), the share of paid employment increased 20.4 percent to 30.6 percent. This shows that while the petty production nature of garment manufacturing

⁶ As Posthuma and Nathan (2010) point out, enlarging the scale of a firm could involve economic upgrading and improve productivity through process upgrading and functional upgrading. This could influence social upgrading which has both measurable (in terms of decent work standards) and less measurable (rights-based) dimensions (ibid.). Tewari (2008) refers to the role of market based relationships as well as mediating institutions in social upgrading.

remained the predominant one, there was some shift in the nature of employment and the type of enterprises engaged in garment manufacturing.

Table 3: Percentage Share of Workers in the Garment Industry across Activity Status

		Regular Salaried	Casual Workers	Self Employed
1983-84	Male	14.3	10.3	75.5
	Female	6.0	4.7	89.3
	Total	11.8	8.6	79.6
2011-12	Male	32.9	6.3	60.8
	Female	12.5	5.2	82.3
	Total	24.7	5.9	69.4

Source: Computed from various NSS EUS unit level records

However, further analysis shows that the *share* of employment in factory type enterprises has not increased.⁷ Since 1999-00, the NSS provides information on the type and size of enterprises in which workers are employed. This information can be used to demarcate between formal and informal sector enterprises using the current criteria prescribed by the Factories Act of 1948. According to this all manufacturing enterprises with twenty or more workers or those with ten or more workers and using power are treated as factories, with registration and regulation requirements prescribed under the Act. The demarcation of the workforce is given in Table 3. The share of the organised sector employment has been declining continuously since 1999-00. Even if the sharp decline in 2009-10 is ignored because it shows the impact of the economic crisis, the share of employment in the factory sector dipped from 15.5 percent in 1999-00 to 13.7 percent in 2011-12. Given that this share is much smaller than even the total share of regular employment in garment manufacturing (24.7%), we can safely say that much of the increase in regular employment, too, has occurred in the informal sector, in the small workshop segment of the industry. To put it differently, although formal sector employment in garment manufacturing has grown at a good rate in India, this growth has not kept up with the aggregate growth rate of employment in the industry. The structure of employment has shifted marginally away both from factories and own account enterprises, and in favour of jobbers and smaller establishments (employing paid workers) which, are largely outside the purview of labour regulation. In other words, liberalisation and de-reservation of the garment industry that has occurred in the last two decades does not appear to have increased the share of employment in the formal sector of the industry, because of outsourcing and the operation of value chains in the industry.

Table 4: Share of Organised and Unorganised Sector Employment in Garment Manufacturing

Sector	1999-2000	2004-05	2009-10	2011-12
Organised	15.5	14.2	9.2	13.7
Unorganised	74.8	82.3	86.2	84.1
Not Known	9.7	3.4	4.7	2.1

Source: Computed from various NSS EUS unit level records

2. Field Study in the Delhi National Capital Region

The field study for this paper is carried out among workers of enterprises (factories and workshops) employing ten or more workers and using power. These enterprises are considered to be part of the formal

⁷ By "factory-type" enterprises, we mean all enterprises that qualify for registration under the Factories Act, although all such enterprises may not actually be registered under the Act. Our field survey also covers such enterprises, which are larger workshops, and due to spatial peripherality are not registered under the Factories Act.

sector (NCEUS 2007, 2009) and a majority of these are registered under the Factories Act, which regulates conditions of work and safety in factories. Enterprises with more than ten workers are also subject to social security and other legislations.

The enterprises are owned individually or in partnership and all the surveyed enterprises were Indian owned. Despite the on-going concentration of production that we have observed, garment firms, both big and small, operate in multiple sites, and smaller firms may also operate under multiple registrations at the same site. Although the sector is now de-reserved, the operation from multiple sites allows firms flexibility in dealing with clients as well as the regulatory framework.

Factories/enterprises are the sites where the formal sector garment firms organize their production. Like firms, factories can also be quite diversified in their functions. They can be specialized in terms of the type of garments they manufacture or the markets they operate in. They can also operate primarily as production sites, sampling and design units, or finishing units. They can be more, or less, vertically integrated. The types of workers and employment relationships partly would depend on the nature of the production space within a factory.

The workshop sector forms a distinct segment which is characterized by higher seasonality, workers recruitment through informal networks, high work intensity (average working hours are 12 or more), piece rate wages, and no social security or any other form of regulation. The sector is meshed with the formal factory sector in more ways than one. Apart from the outsourcing activity which links the factory and workshop sectors, the setting up of workshops may have been facilitated by export units (most workshop owners are former workers in larger units), and in several cases, workshop owners continue also to act as labour contractors or as in-contractors, both registered and unregistered. The workshops that have been selected qualify for regulation meant for the formal sector in terms of number of workers employed. They are, however, second tier suppliers in GVCs and first or second tier suppliers in domestic value chains.

A sample of 35 enterprises has been selected in the Delhi National Capital Region (NCR), focusing on Delhi, NOIDA, and Gurgaon after an extensive mapping exercise. In order to make an assessment of the impact of scale, technology and markets (export versus domestic) on labour standards, we have attempted to stratify our sample by *size* (an indicator both of scale and technology) and *markets*. The reported number of workers in the enterprise has been used as an indicator of scale / size, whereas the market orientation of firms has been classified on the basis of principal destination of the output (domestic or foreign). Enterprises have been characterised as small, if they have less than 250-300 workers, medium if they have 300 to about 800 workers, and large if they have more than 800 workers. Information has been collected through workers' interviews using a structured questionnaire, interviews with employers/managers; interviews with other informants such as trade union activists, and examination of official records, mostly obtained through the Right to Information Act. We have broadly selected 2 to 4 workers per workshop; 4 to 6 workers per small-sized factory; 6 to 10 workers per medium sized factory; and 10 to 15 workers per large sized factory for the workers' survey through preliminary informant interviews and careful snowballing.

Table 5 gives the distribution of the sample respondents according to the size and type of enterprise and its location. Nearly a third of the sample workers were employed in enterprises located in Noida, 27 per cent in enterprises in Delhi and 39.5 per cent in Gurgaon. Two-third of the workers in large enterprises came from Noida and one-third from large enterprises in Gurgaon. Two-third of the workers in medium sized enterprises came from Noida. Workers in small enterprises were divided between the three locations and the workshop workers came either from Delhi (87.15) or Noida (12.9%). Altogether 289 workers were interviewed, as per the distribution given in Table 5.

The principal part of the fieldwork was carried out between April 2012 and February 2103. Follow up interviews were carried out between December 2013 and February 2014 to reconfirm some of the information relating to modes of recruitment, participation in trade union activity etc.

Table 5: Distribution of Respondents by Enterprise Size, Location & Market

	Enterprise Size/Type (%)				Total
	Large	Medium	Small	Workshop	
Location of Firm					
Noida	67.4	9.1	27.0	12.9	33.6
Delhi	0.0	22.1	38.2	87.1	27.0
Gurgaon	32.6	68.8	34.8	0.0	39.5
Total	100.0	100.0	100.0	100.0	100.0 (289)
Market Orientation					
Mostly Export	42	31.5	26.5	0	100.0
Mostly Domestic	0	17	66	17	100.0
Mixed	0	0	0	100	100.0
All	31.8	26.6	30.8	10.7	100.0

Source: Based on Primary Survey

Only 16.6 percent of the respondents were women workers, but this proportion was as low as 6 percent in workshops and 25 percent in the large factories. Most of the respondents interviewed in the study were young, male, and first generation migrants. They mostly belong to the middle and higher castes. This is in line with what has been reported in earlier studies carried out in Delhi and adjoining regions in Delhi and its adjoining regions, the last few decades. Given the relative youthfulness of the workforce, it is perhaps not surprising that only 55 per cent were married, although three quarters of the female workers were married (72.9 per cent) and 6.3 per cent were separated. About 20 percent of the workers were Muslim. Most workers had middle (41.9%) or at least High School level of education (36.3%).

Almost all workers were first generation migrants. Labour migration, which involves different groups of people and migration streams, relates to the existing social structure, which implies different inherited skills, and constraints on occupational choice and mobility across gender and social groups. It further interacts with patterns of employment and labour market segmentation produced in the garment industry in the NCR. This leads to gender differences in labour market outcomes, as well as differences between more regular forms of employment and peripheral and seasonal employment for different groups of workers. Male workers, who are also younger on average than the female counterparts, show a more recent migration history with 41.5 per cent having first migrated less than five years ago while women workers show an older migration pattern, with only 18.8 per cent having first migrated less than five years ago. Among all the migrant workers, 48.1 per cent came from Uttar Pradesh, which is a state adjacent to the cluster, while 41.9 per cent were from Bihar. The migrants retain a strong attachment to their native places. More than three quarters of the migrants continue to regard the native place as their primary place of residence. Nearly 73 per cent of total garment workers are able to save some part of their earnings to send it back to their homes. On average, a migrant worker sent INR 33,980 as

remittances in the last one year. About 42 percent of the migrants circulate between origin and destination, going back at the end of the working season or when out of work.

3. Labour Use and Recruitment Systems in Factory Production

The labour regime of the NCR is characterized by systematic but varying patterns of labour use and recruitment. The internal division of work and the employment structure in the enterprises depends upon the types of functions that are carried out within the enterprise and the level of integration usually depends on the size of enterprise. The number of functions carried out in smaller enterprises is less, and the workshops are the most specialised. The largest number of respondents in the sample were tailors (37.4 %). Jobs in the factories are divided by perceived skill levels into low skilled, semi-skilled, skilled and highly skilled. The legislated minimum wages are also set according to skill levels.

The largest percentage of workers (45.3%) in the sample reported working on the manufacture of western style women's garments. In the large-medium factories, tailoring is usually organised in assembly lines, although in smaller factories, some high fashion garments and samples are produced through group work. Gender-based segmentation in the garment industry in the NCR is very well entrenched. Women are mainly confined to low skill and low wage jobs and women workers predominate in thread cutting. They constitute 90.3 per cent of all thread cutters in the sample and thread cutters among women workers are a total of 58.3 per cent of all women workers. There is a very small presence of women workers in semi-skilled or skilled jobs, including tailoring and machine embroidery. However, since two of our units had female oriented employment, 12 per cent of the tailors and 20 per cent of the cutters in the sample were women. The social group based segmentation of the workforce was not strong, although the functional division of labour in these enterprises resonates with the traditional caste/community based division in which tailoring and embroidery were dominated by Muslim OBC castes. Muslims, 19.8 per cent of the sample were 71.4 per cent of all embroiderers and 27.8 of all tailors.

The unravelling of labour recruitment systems in the garment industry was one of the most challenging dimensions of this research. There is a blurring of boundaries between systems of labour recruitment as well as labour use by owners and their managers/supervisors and contractors which makes studying these relationships extremely difficult. Most time our research was spent in exploring these, using interviews with labourers, owners, contractors, supervisors as well as official records obtained through the Right to Information. Although the state governments in Delhi, Noida and Gurgaon have liberalized the use of contract labour in all processes in the garment industry, and the enormous growth in the organised manpower and contractor firms, the use of contractors remains subterranean and shadowy.

Most firms directly employ a core workforce consisting of more skilled workers who are paid a monthly salary.⁸ They may also hire helpers or low skilled workers on daily or monthly rates. But the proportion of directly hired workers can range from as low as 10 percent to a high percentage of 80 or 90. The remaining workforce is under various forms of labour contracting or sub-contracting arrangements.

The role of contractors in the garment industry is much debated. Contractors play a role in market intermediation between the different production layers, in the direct management of sub-contracted production arrangements, and in labour recruitment and its management. In this study, we focus mainly on labour contractors.

Our evidence shows that workers in the garment industry are recruited either directly by the enterprises or by contractors. Almost in all cases, they are recruited locally, whether at the factory gate or in the contractor's firms. Also, almost invariably it is the workers who approach the recruiters. Factories

⁸ As Barrientos (2008, 2013) has noted, combining a core (skilled) workforce, with a casual/flexible workforce is common in firms located in GVCs.

advertise vacancies locally or through gate notices or spread word of vacancies through word of mouth. Contractors recruit workers through advertisement, notices, and by word of mouth. We did not find evidence that labourers were sourced directly from their native areas. Only one of the large firms had set up a training unit in Jharkhand state and recruited workers trained by it.

Contractor based hiring in India is regulated by the Contract Labour (Abolition and Regulation) Act. The Act prohibits the use of contract labour in perennial processes. It also mandates the registration of employers wishing to use contractors and the licensing and registration of contractors, with the labour department. Contractors have to ensure proper working conditions, while employers have to supervise wage payments by contractors and are liable to pay wage arrears if necessary. Both the contractors and employers have to provide detailed returns to the labour department. All firms employing more than twenty workers recruited through contractors, and all contractors providing more than twenty workers have to be registered by law.

The Contract Labour Law has been progressively liberalised in most states and contract labour is now permitted in all processes in the garment industry in the states of UP, Haryana and Delhi. The contract labour system in the garment industry works in a myriad ways which are very difficult to unfold. In many cases, as we will explain, workers are not aware whether their employer is a sub-contractor or the firm owner. Despite what some employers claimed, the garment industry in the region does not face labour shortages. Most labour recruitment is done at factory gates. But at the gates itself, workers are screened and recruited either by a variety of contractors or by the firm and its agents. The contractors could be either registered or unregistered. More often than not, small contractors and small firms evade registration under the Act. The main question is why firms need contractors when labour is relatively abundant and recruitment costs appear to be very small. We will return to this question later in this paper.

As mentioned earlier, significant amount of field effort was spent in uncovering contractor based relationships. These included follow up re-surveys, interviews with informants, and applications filed under the Right to Information Act. The slow pace and inadequate nature of responses by the labour departments and the incomplete and patchy information that we could find or failed to find is a significant pointer to the (lack of) seriousness with which the Contract Labour Act is implemented in the three states.

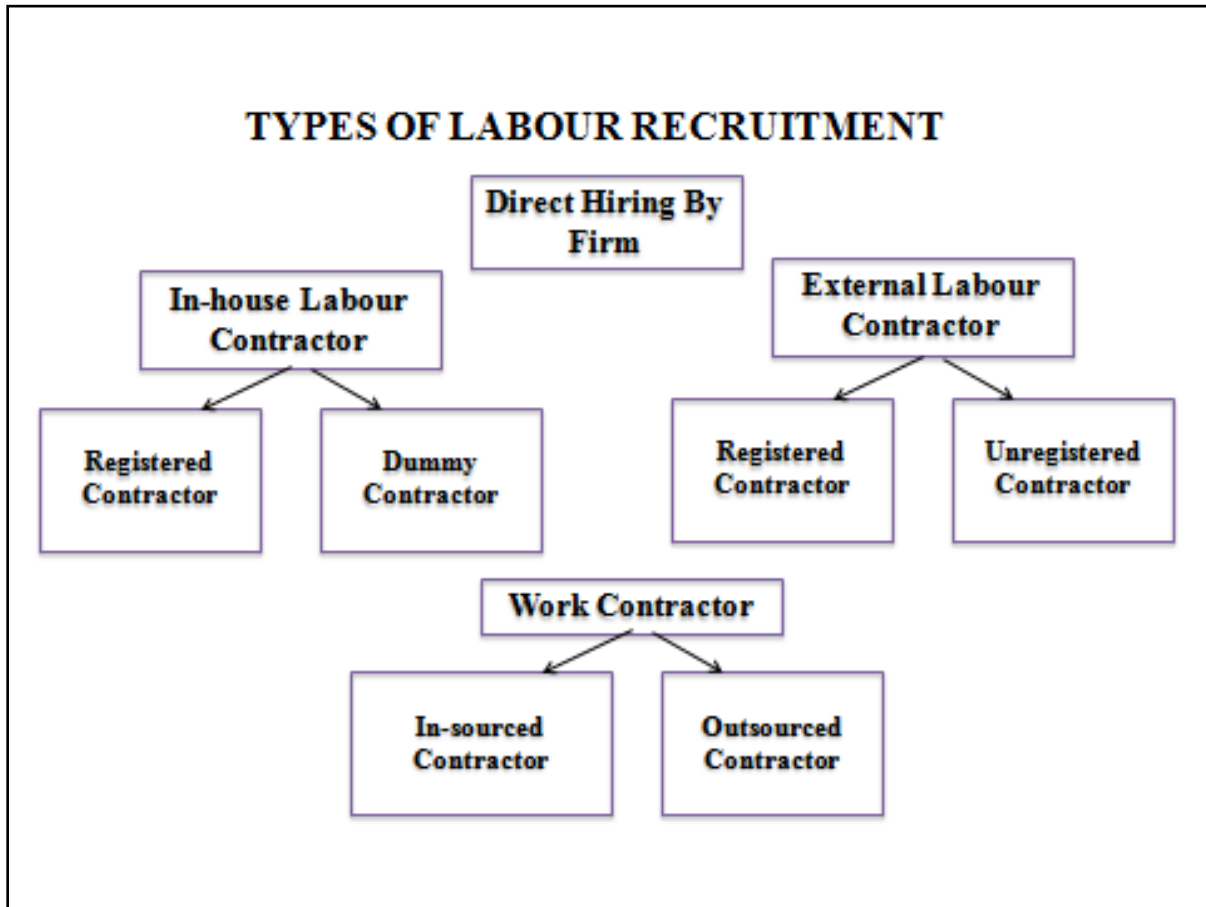
The types of labour recruitment practiced in the industry are shown in Figure 1. Many of the firms in the industry - virtually all small firms and several medium-large firms - use in-house labour contractors. These contractors are production managers, accountants, supervisors, master tailors or master cutters in firms. Some of these (production managers, accountants) could be registered contractors. Some of them also operate their own fabricating units, set up with the assistance of the owner. Others are small unregistered contractors ("dummies"), helping to hire workers either throughout the year or in peak seasons. These workers do not appear on the roll of the enterprise. Workers hired by these in-house contractors could be approached by word of mouth or they are hired at the factory gate and placed under the contractor. These are cases where the worker does not know whether his direct employer is a contractor or the firm, and the researchers have had to look at other supporting evidence to determine this.

External labour contractors are usually larger, and may supply several hundred workers to the enterprise. They could also be registered or unregistered. They could supply one type of worker (helper, thread-cutter, tailor, and pressman) or several types of workers (usually either in the stitching or finishing departments). They further fall into two categories - those providing workers who work under the firm's supervisors or those who are in-contractors and undertake garment production inside the firm's premises on a piece rate or commission basis.

The distinction between the three types of contractor related labour supply is not water-tight. Production managers or accountants of a firm may be dummy contractors for that firm and simultaneously operate independent fabrication capacity where they can carry out sub-contracting work for the parent firm as well

as for other firms. Labour contracting may often border on in-contracting since labour contractors may offer a package of services (for example tailoring work, helpers, and supervision - required for an assembly line) on piece rate. We have also found production managers of large firms, doubling up as owners of manpower supply firms as well as labour contractors for the parent firm. All this provides a lot of flexibility to firms in the ways that they can employ or manage labour and operate production lines. But the implication of this flexibility for industrial productivity remains unclear. Moreover, a large number of manpower agencies have emerged in the NCR supplying different types of workers to one or more industries, including the garment sector. There appears to have been an increasing concentration in labour supply by contractors. In some cases, contractors may supply up to several thousand workers to a group of factories of a single firm or to different garment firms.

Figure 1: Types of Labour Recruitment



Source: Fieldwork

The contractors receive a commission for the workers supplied or engaged by them. The amount of commission depends on the functions performed by them, negotiations with the owner or manager, and the type of payment involved. This could be ten per cent or more of the wages of workers.

However, despite the extensive use of contractors by firms, such use is not universal. Some firms principally engage workers directly. Table 6 provides details of the employer of the labourer as reported by workers. Overall (including the workshops), 33.8 per cent of workers report that they are employed by

contractors. but for reasons mentioned earlier, some underestimation cannot be ruled out.⁹ We find a broad similarity in the use of contract labour across the three locations. There is a tendency for the use of contract labour to be higher in smaller firms. The percentage of contract labour reported by our sample is 28.3 for large enterprises, 37.7 per cent for medium enterprises and 43.8 per cent for small enterprises. Firms in the sample producing for the domestic market use more contract labour (42.6 %) than those producing for the export market (33.8 %).

Table 6: Details of Employers as reported by Respondents

Category		Employer		Total
		Firm Owner / Manager	Contractor	
Location	Noida	66	34	100
	Delhi	64.1	35.9	100
	Gurgaon	71.1	29	100
Factory Size / Type	Large	71.7	28.3	100
	Medium	62.3	37.7	100
	Small	56.2	43.8	100
	Workshop	100	0	100
Market	Domestic	57.4	42.6	100
	Export	66.2	33.8	100
	Mixed	100	0	100
	All	67.5	32.5	100

Source: Based on Primary Survey

Results of a logistic regression carried out to examine the characteristics of workers employed through contractors, shows that the odds of being a contract labourer are higher in our sample for women (mostly casual workers employed as thread cutters), domestic firms, medium size firms, and workers employed in Noida or Gurgaon.

CONTRACTUAL RELATIONSHIPS, TYPE OF EMPLOYMENT AND PAYMENT SYSTEMS

Workers do not receive written contracts from employers. In several cases, workers engaged by firms reported that they are required to sign some documents, which could be contracts, but most likely are resignation letters which employers can use at appropriate times. Only six (1.7%) workers had written contracts. Most workers saw themselves as being casually employed (50.9%) while 47.4 per cent saw themselves as being regularly employed (open ended oral contracts).¹⁰ When the contractor was the employer, nearly three-quarter of the workers were casually employed while slightly more than a quarter are retained on a regular, indefinite basis. None of these workers have a written contract. When the firm was the employer, 57.4 per cent were regularly employed without contract while 2.6 per cent have contracts and 40 per cent were casually employed (without contract).

⁹ Singh et al. (2004) had also found that one third of workers in their sample were hired through contractors. In a study of ten exporting units in Gurgaon carried out between 2009-12, the share of contract labourers was found to be 55% (SLD 2012).

¹⁰ In an earlier study (Singh et. al. 2004), the authors found that about a third of factory workers were regular and permanent, invariably with written contracts. This is different from what we have observed and may denote increasing informalisation.

Casual employment is higher in small firms and workshops (which also comprise the mixed market segment among our enterprises). It is also higher in the export oriented enterprises compared to those producing primarily for the domestic market (Table 7).

Regular and casual employment is broadly distinguishable by the manner of remuneration of the workers. Regular workers are usually paid monthly salaries, whereas the remuneration of casually employed workers is calculated by the day, either on the basis of wages calculated on the basis of a daily rate or on piece rates. Daily rates are applicable to low skilled workers while piece rates are more applicable to more skilled workers. Further, skilled and semi-skilled workers employed by contractors are more likely to be on piece rates whereas those employed by enterprises (with the exception of workshops) are more likely to be hired on monthly salaries.

Table 7: Employment Status of Respondents across Firm Size, Location and Type of Firm

	Category	Employment Status			Total
		Casual employment without contract	Regular employment without contract	Regular employment with contract	
Firm type	Large	43.5	53.3	3.3	100
	Medium	45.5	54.6	0	100
	Small	56.2	41.6	2.3	100
	Workshop	71	29	0	100
Market	Export	50.7	48	1.4	100
	Domestic	36.2	59.6	4.3	100
	Mixed	82.6	17.4	0	100
	Total	50.9	47.4	1.7	100

Source: Based on Primary Survey

Piece rates suit more temporary and seasonal workers as they can maximise their daily earnings but it is also a reflection of less durable employment, and deprives them of social security benefits, and other benefits which accrue through long term employment. It also suits contractor-based forms of work organisation as employers need not monitor work intensity. The higher propensity of smaller firms to have piece rated workers could be both a result of greater seasonality of demand (and hence a more temporary workforce) and also smaller batch orders and more make-through production.¹¹

These results are also confirmed by results of a logistic regression exercise carried out for factory workers shows that the odds of being regular workers are significantly higher for workers in domestic firms and significantly lower for women, workers employed through contractors, those paid piece rate or daily rates, and workers in small factories.

We turn next to see the durability of the employment relationship and the job-turnover among workers. Among the workers interviewed, only 14.2 per cent had taken up the job in the garment industry for the first time. Of the 85.8 per cent workers who had worked earlier in the garment industry, 4.9 per cent had worked in the industry for more than 20 years, 19 per cent had worked for a period of ten to twenty years,

¹¹ de Neve (2015) suggests that workers are able to make choices between Fordist and Flexible production regimes depending on their own constraints and choices.

and 34.3 per cent had worked for a period of five to ten years. The remaining 41.9 per cent workers had worked in the industry previously but for a period of less than five years. Further, of those who had earlier worked in the industry, 83.8 per cent continued to do the same type of job, and the remaining 16.2 per cent (40 workers) changed their job profile.

Table 8 gives the job duration of the workers in the current enterprise. The time periods that we have considered are up to six months (to reflect seasonality or other hiring factors), six months to a year, more than a year (when workers could potentially claim a permanent status) and more than five years (when workers could potentially become entitled to pension benefits such as gratuity).

The results show high job flexibility. Across all enterprise types, nearly two-fifth of the workers (38.8%) were in employment for six months or less while another 21.1 per cent did not complete one year of employment. Thus, taken together, 59.9 per cent workers had not spent one year in the current job. Of the remaining, only 9 per cent had been in employment for more than five years while 31.1 per cent had been in employment with the current employer for a period between one and five years. While as many as 49.6 per cent workers had spent five or more years in the industry, only 9 per cent had spent 5 or more years in the current. Thus jobs in the industry are generally of short duration and have a high turnover (Table 8).

Naturally, jobs through contractors are much more short term. Again, those employed on regular basis, for an indefinite duration, are more likely to stay in a job for a longer period, than those who are casually employed. Short job duration was also present in export oriented firms (also noted by Singh et. al 2004), but 42.9 percent workers in these firms had stayed in their current job for more than a year, compared to 38.2 percent workers in domestic firms (but 35.2 and 42.4 percent respectively worked in these firms for less than six months). In terms of firm size, jobs in medium size firms were relatively more durable. These were followed by large firms and small firms. But in terms of workers have stayed in their current job for more than five years, large firms had the smallest percentage.

Table 8: Employment in the Current Enterprise by Enterprise Size and Employment Type

Category	Up to 6 months	6 months to 1 year	1 yr to 5 yrs	More than 5 years	Total
Enterprise Size					
Large	35.9	26.1	32.6	5.4	100.0
Medium	19.5	28.6	39.0	13.0	100.0
Small	51.7	12.4	25.8	10.1	100.0
Workshop	58.1	12.9	22.6	6.5	100.0
Employment Type					
Regular	19.0	21.8	43.0	16.2	100.0
Casual	57.8	20.4	19.7	2.0	100.0
Employer Type					
Firm Owner/Manager	29.2	23.1	35.9	11.8	100.0
Contractor	58.5	17.0	21.3	3.2	100.0
By Market Orientation					
Domestic	40.4	21.3	29.8	8.5	100.0
Export	35.2	21.9	33.3	9.6	100.0
Mixed	69.6	13.0	13.0	4.4	100.0
Total	38.8	21.1	31.1	9.0	100.0

Source: Based on Primary Survey

What are the reasons which workers give for changing jobs? Of the 85.3 per cent workers in the sample (248 workers) who had changed jobs, the largest percentage had changed jobs because the last task had

been completed, 21.3 per cent moved due to higher remuneration/wages or better working conditions in the current job, a high percentage (19 %) moved because their services were terminated and 14.1 per cent due to unresolved grievances in the last job. Finally 13.7 per cent gave "other" reasons for changing jobs. An analysis of "other" reasons shows that two-thirds of these workers had to give up jobs because these workers chose to go their native places. The other reasons given were child birth, preferring to work at home (by women workers) or disputes over payments with employers. Thus, only about 30 per cent of job change was due to voluntary reasons (moving to a better job or going home), the rest being due to the seasonality of tasks, termination and grievances.

Employment in the garment industry is subject to seasonal fluctuations, but the extent to which an individual enterprise can even out these fluctuations depends upon the line(s) of clothing that it manufactures and the geographical location of its markets. The garment factories in Delhi engaging in exports do not usually have a heavy winter line (although some large factories have an year round production schedule) and given normal lead times, there is usually some slack between May-June and August-September with a definite slackening during July-August. The slack/no work period vary between firms, between casually employed and regular workers, and between directly recruited and contract labourers. Firms use different strategies to deal with regular workers during slack period. These include giving them a break and re-hiring them when demand increases, giving them unpaid leave, and retaining them as benched workers at some proportion of the normal monthly wage. As far as employment days per month is concerned, there is naturally a variation between peak and non-peak periods, but generally a majority of workers reported working for 25 or 26 days a month during working periods.

4. Working Conditions, Occupational Health, and Wages

The entry and exit of the worker into/from the factory premise is marked by card-punching (usually directly recruited employees) or signing in/out at the gate. Enterprises segregate directly recruited employees and contractor's employees providing separate routes for entry and exit, and often separate production floors in larger operations. On the production floor, the worker is supervised by the production manager, floor manager, line supervisor, supervisor, master cutter or master tailor, depending on the size and nature of operations and the workers' tasks. If the worker is a contractor's employee, both the contractor and the enterprise maintain a record of attendance, while the contractor's employees may or may not supervise the worker. The productivity of the worker is monitored and targets are set for each section of the assembly line but these targets are not necessarily interpreted as quotas.

Work hours in the industry are long, particularly during peak periods when they could be as high as 15 to 16 hours. The average work hours were significantly higher in the workshops (12.7), followed by large and medium enterprises (9.7 and 9.6 hours respectively) and a lower 9.3 hours in small enterprises. Again, average working hours differ very little between enterprises producing for domestic market (9.7 hours) and those producing for exports (9.6 hours). Since workshops dominate the mixed market segment, here the normal working hours were reported to be the highest at 13.3 hours. The total working hours exceeds the legal ceiling (60 hours) in most firms during peak seasons. This is also common across other major garment producing clusters (Kalhan 2007, Fairwear 2012, Roy 2009).

However, work cultures vary across firms and some firms (one small, two medium and one large), including two firms that have female employment oriented try to stick to shorter eight to nine work hour schedules.

Mandatory overtime and the compensation of the extra work hours is one of the most contentious issues in the industry. Piece rate workers are always paid by output, and these rates remain unaffected by working hours. Generally, almost across the board, proper overtime rates are not paid. Only five firms in the sample paid double overtime rates, as is the law, but three of these used very little overtime. The rest followed a mix of practices - not accounting for an extra hour of work, only counting the first two hours towards double overtime on record, and/or paying single overtime. While across firm size/types,

recruitment and employment types, a very large percentage of workers do not receive stipulated overtime rates, those that do are more likely to be among the directly recruited, regular workers, in large-medium export firms.

Safety and environment measures vary across units. Many departments in the factories are equipped with exhaust fans, and one can see workers wearing dust masks in the cutting and layering sections. But temperatures rise during summer and there is a thick haze of dust and particle pollution in some departments, especially in large factories. About half the workers in large factories, a quarter in medium size factories 15 percent in small factories; 32 percent in export oriented units and 11 percent in domestic industries are supplied some safety equipment - mostly dust masks. However, the main health risks undoubtedly comes from the nature of work - requiring focused attention and fixed postures, and the long hours. Hours, as we have seen, are especially long in the workshops. Dust. particle pollution is seen by workers as the main cause of health risk by workers in the garment industry, followed by eye strain. Accidents are seen as smaller but a significant source of health risk (Table 9). In the workshop segment with mainly tailors and embroiderers, however, eyestrain is seen as the biggest source of health risk, and the percentage of workers complaining of dust/particle pollution is highest in the export sector and in large enterprises-

Table 9: Percentage of Workers and Perception of Main Causes of Health Risk

	Dust / pollution	Accidents	Eye Strain	Other
Principal Market				
Domestic	68.1	23.4	31.9	12.8
Export	90.9	4.6	34.2	3.2
Mixed	0	0	100	17.4
Firm Size / Type				
Large	89.1	5.4	39.1	4.3
Medium	88.3	5.2	36.4	5.2
Small	89.9	10.1	27	2.2
Workshop	3.2	9.7	80.6	22.6
Total	79.9	7.3	39.1	5.9

Source: Based on Primary Survey

Exhaustion, eye strain, back pain and allergy are the most common occupational health problems mentioned by the workers (Table 10). Back pain and eyestrain were reported by more than half the workers in workshops. Exhaustion was the main problem in export oriented and large units. In the former, nearly a quarter of workers reported back pain and allergies while in large units back pain was reported by a third of the workers while eye strain and allergies were reported by a fifth of the workers each. For most ailments, workers in large units reported a higher or similar incidence compared to small or medium size units.

Table 10: Percentage of Workers and Perceived Health problems Due to Nature of Work

	Cough	Back pain	Eyestrain	Allergy	Exhaustion	Other
Principal Market						
Domestic	2.1	19.1	8.5	4.3	17	4.3
Export	2.7	26	16	22.4	35.6	6.4
Mixed	4.3	78.3	69.6	0	17.4	21.7
Firm Size / Type						
Large	3.3	33.7	20.7	19.6	41.3	9.8
Medium	5.2	15.6	16.9	18.2	20.8	6.5

Small	0	24.7	7.9	21.3	34.8	2.2
Workshop	3.2	61.3	51.6	0	16.1	16.1
Total	2.8	29.1	19	17.6	31.1	7.3

Source: Based on Primary Survey

About a quarter (24.2%) of the workers were provided with some emergency medical facility or occasional medical check-ups. This provision, however, is exclusively provided only in large and medium export units and is absent in small factories and workshops. It is also more commonly available to regular workers employed directly by units than to casual workers and workers hired by contractors.

We now turn to an analysis of wages and remuneration received by workers. We find that workers' take home wages, computed on an eight hourly basis, are higher in small units than in large-medium units, and in domestic units than in export units. We also find no difference between directly hired workers and contract labour. Results are similar when social security contributions are added to take home wages, with smaller difference, however, between different categories of wages. These results differ from those of Singh, Kaur and Sapra (2004) who found a hierarchy of wages, highest for permanent workers, followed by factory hired temporary workers, and contract workers.

Legal minimum wages are not set on the basis of any scientific principles. But they do set the regulatory norms. Singh et. al. (2004) had found that nearly 40 percent of workers had received wages below the legal minimum. Table 11 compares the actual (net) average wages to the minimum wages in our study. In Delhi, the actual wages are much lower than the legal minimum for all categories of workers. In Noida and Gurgaon, actual wages are lower than the minimum wages for low skilled workers but marginally higher than minimum wages for skilled workers.

Table 11: Statutory Minimum Wages in NCR & Worker Reported Wages

Category	Per day Min. Wage and Reported Wage (Rs.)								
	Noida			Delhi			Gurgaon		
	Rep. Wage (1)	Min. Wage (2)	Gap (3)	Rep. Wage (4)	Min. Wage (5)	Gap (6)	Rep. Wage (7)	Min. Wage (8)	Gap (9)
Unskilled	140	156	-10.3%	247	279	- 11.5%	177	191	- 7.3%
Semi-skilled	162	178	- 9%	235	308	- 23.7%	204	196	+ 4.1%
Skilled	201	197	+ 2%	263	339	- 22.4%	213	211	+ 0.9%

Source: Based on Primary Survey

5. Leaves and Holidays

The Factories Act, 1948 provides for a limit on the hours of work, rest periods, weekly paid holidays, earned leave at the rate of one day for twenty days worked if the worker has been employed for 240 days. Workers are usually entitled to a short lunch break (30 minutes in 95 per cent cases) and a tea-break (10 to 20 minutes in 80 per cent cases). Toilet breaks are short and monitored.

Table 12: Percentage of Workers Availing Paid Holidays

	Weekly Off	Public Holiday	Casual Leave	Earned Leave	Sickness Leave
Market Type					
Domestic	57.4	57.4	12.8	10.6	10.6
Export	71.2	70.3	42	11	32
Mixed	0	0	0	0	0
Firm Size					

Large	76.1	75	52.2	20.7	46.7
Medium	76.6	75.3	40.3	3.9	22.1
Small	55.1	55.1	21.3	7.9	16.9
Workshop	16.1	16.1	0	0	0
Employer					
Firm Owner or Manager	68.7	68.7	47.77	13.3	35.9
Contractor	52.1	50	5.3	3.2	5.3
Type of Employment					
Regular	84.5	84.5	54.2	19.7	40.1
Casual	42.9	41.5	14.3	0.7	12.2
All	63.3	62.6	33.9	10	26

Source: Based on Primary Survey

Fifteen per cent of the workers in the sample say that they do not get breaks on public holidays and a similar percentage (14.2%) indicate that they do not get a weekly day-off while 15.6 per cent “sometimes” get a weekly off (Table 12). The status of paid leave to the workers is analysed in Table below. Export oriented units and large units score over other types of factories with relatively better leave conditions, although few workers even in them get their long term leave entitlements (earned leave and sickness leave).

6. Social Security

The two major social security provisions that cover the workers in factories and all establishments with twenty or more workers are the ESIC Act and the EPF Act. The ESIC and EPF cover all types of workers - permanent and casual, directly recruited and contractor hired, subject to an income ceiling. Both these schemes are contributory. The ESI Act requires a contribution of 1.75 per cent of wages from the worker and 4.75 per cent from the employer. The contributions are collected each month and deposited twice in a year. Under the PF Act, the contributions from each could be 10 or 12 percent, as specified. Employers also pay a small percentage towards administration charges (1.1%) and the employees’ deposit linked insurance or EDLI (0.5%). The ESI is expected to provide a number of benefits to its members including health care through a network of hospitals and clinics, sickness benefit, maternity benefit, disablement benefit (covering employment injury) and dependent’s benefit. The scheme also provides for unemployment insurance for retrenched workers under the Rajiv Gandhi KalyanYojana. The EPF provides for provident fund, pensions and life cover. Pensions accrue after ten years of total employment, on the basis of contributions from the employer (8.3 % from the amount contributed and 1.16% by government).

Being contributory schemes, both impose financial liability on workers and employers, but more in the case of EPF. If the schemes are not well run, then workers will have a low demand for them. Among the two schemes, the EPF has confronted workers with special problems. First, they are not sure whether the amount that is deducted is deposited in their provident fund accounts. The process takes time, and the accounts are not easily transferable (although this should change with reforms introduced in 2014). Given the short employment tenures, high deduction, and high turnover, workers enthusiasm for the scheme has been low. Contributions to ESI are lower, but services in the area are considered poor by the workers and they would rather go to a private practitioner if needed and at their convenience, than spend time waiting for their turn at an ESIC clinic or hospital. Besides, there no automatic transferability of the ESIC card between jobs was possible till recently.

There are other Acts which potentially cover the workers for injury, accidents or for retirement benefits. The Gratuity Act provides for payment of gratuity to workers employed for more than five years. Workers in factories are also covered under the provision of the Workmen’s Compensation Act, but the Act does not cover those workers who are members of the Employees State Insurance Corporation

(ESIC). But either their coverage or workers' knowledge regarding them is low, and few workers benefit from them.

Responses show that ESIC membership covers 55 per cent of the sample, and EPF covers 47.8 per cent of the sample. But workers are not aware of any other retirement benefit and only 4.2 per cent report that they receive some other injury benefit. In the analysis which follows, we therefore confine ourselves only to the ESIC and the EPF. The analysis is based on workers reporting making contributions to the two schemes. This is not the same as the workers being able to avail of the benefits of the two schemes.

There is no EPF coverage for the workers of the workshops (also the mixed market segment). Between export oriented and domestically oriented factories, the percentage of workers reporting deductions for the EPF is higher in the former - 55 per cent compared to 44.4 percent. Only a quarter of the casually employed in the domestic market factory segment could be covered, and just over a third in export market segment. But 80 per cent of the regular workers in export segment and 55.2 per cent of the regular workers in the domestic segment paid EPF contributions.

By size of enterprise, more than 70 per cent workers were covered in medium and large factories and the coverage of regular workers was higher at 97.6 per cent and 84.6 per cent in medium and large factories respectively. But nearly 70 per cent and 50 per cent of casual workers in the medium and large factories respectively did not subscribe to the EPF. Workers in small factories were much less likely to subscribe to the scheme - nearly 70 per cent did not - about 80 per cent casual workers and 55 per cent regular workers. Directly recruited workers had more than 90 per cent coverage in medium and large factories but less than half as much in small factories. Contractor hired workers were much less likely to subscribe to the scheme across all enterprise sizes. But by market orientation, contractor hired workers have a higher coverage in domestic firms than owner hired workers. This is due to the fact that some of the domestic firms in the sample have followed prescribed norms for social security for contractor hired workers. The gender gap is smaller in the larger sized enterprises. Location-wise, a much higher percentage of workers in Gurgaon (65.2%) had paid EPF contributions.

The pattern of ESIC coverage across types of units is similar to the EPF and is shown in Table 13. Coverage is again better in export oriented units, large units, and units in Gurgaon, although 41 percent of workers in export units and 28.6 percent workers in large units were not covered. The proportion of workers receiving social security payments is very high for regular, directly employed workers.

Table 13: Percentage of Workers with ESIC Deductions

	Type of Employment		Employer		Sex		Total
	Regular	Casual	Owner	Contractor	Male	Female	
Market Orientation							
Domestic	55.2	25	32	60	46.3	25	44.4
Export	80	35.8	81.5	12.3	61	51.2	59
Mixed	0	0	0		0	0	
Location							
Noida	65.4	26.7	62.5	18.2	42.3	61.5	47.4
Delhi	60.7	0	29.2	15.8	26.7	14.3	25.4
Gurgaon	84.5	56.5	90.1	33.3	76.1	41.7	72.1
Size / Type of Firm							
Large	84.6	53.8	90.8	23.1	72.5	68.2	71.4
Medium	97.6	32	92.7	40	75	60	72.7
Small	44.4	20.5	45.7	11.8	34.8	9.1	31.3

Workshop	0	0	0		0	0	0
Total	72.5	29.2	64.5	23.5	52	48.9	51.5

Source: Based on Primary Survey

A logistic regression exercise confirms the above results and shows that the odds of subscribing to ESI and EPF are significantly higher for the directly employed, for regular workers, and for workers in domestic firms. But they are lower for women workers (but not significantly so), for workers on piece rates and daily rates, and those employed through contractors

7. Gross Unit Worker Costs under different Employment Conditions to Enterprise

Worker's net wages do not reflect their total wages/earnings since the take home wages do not account for social security and other deductions. They also do not reflect the true cost of the wage bill to employers since employers have to pay their share of social security contributions and also commission to the contractors. In this section, we have first estimated the total gross wages of workers by adding social contributions (for EPF, ESIC or both, as the case may be) to the wages of those workers who report making these contributions. We have then added the employer social security contributions in these cases. Finally, in the case of contractor hired workers, we have also added the contractor's commission. All calculations have been done for an eight hours standard day.

The calculations based in this section are based on a few methodological assumptions. For workers who are paid daily or on piece rate basis, we have estimated the monthly earnings for an eight hour days by multiplying the eight hour wages by the number of days worked. For workers on monthly earnings, we have calculated the equivalent eight hourly (normal) salaries by taking the ratio of eight hourly to full day earnings. This is because we did not have a clear division between basic wage and overtime earnings. Secondly we have assumed that wherever, workers report deductions on account of ESI and EPF, the employer has made his/her contribution as well. This assumption is not correct in all cases. Third, since we do not know the contractors' commission in each case; therefore, we have assumed an average commission of 10 per cent on net wages. Further, in order to control for the heterogeneity in the composition of the workforce, we have reported estimated wage costs only for tailors. These results are presented in Table 14.

Table 14: Average Wages – Tailors, with Workers' & Employers' Social Security Contributions & Contractor Commissions

Cost to Company For Tailor	Daily			Monthly		
	Firm Owner	Contractor	All	Firm Owner	Contractor	All
Market Orientation						
Export	256	303	272	7,062	8,083	7,394
Domestic	268	283	274	7,050	7,681	7,313
Mixed	221		221	5,452		5,452
Firm Size / Type						
Large	270	286	273	7,399	7,537	7,429
Medium	256	295	272	6,930	7,627	7,219
Small	240	314	272	6,692	8,685	7,555
Workshop	224		224	5,608		5,608
Total	253	300	267	6,846	8,022	7,205

Source: Based on Primary Survey

There is virtually no difference between export firms and domestic firms, and also by size-class of factory in terms of average daily costs per worker. In terms of monthly costs, the outgo is still slightly higher for

small firms followed by large units and then medium size units, and is also marginally higher for export firms. Interestingly, our data suggests that contractor hired tailors continues to be more expensive to employers, once contractors and commissions are accounted for. The other result emerging from our data is that as far as directly recruited tailors are concerned, the gap between domestic firms and export firms is small, and large firms actually spend more per directly hired tailors than small firms and, on the other hand, contract labour is more expensive for smaller firms.

What can we conclude from these results? Even after accounting for social payment and contributions, as well as contractors' commissions, large and export oriented firms do not spend more per worker than small firms.. Further, we also find that the use of contractors for the skilled tailors actually increases unit worker costs for employers. Overall, the use of contractors goes beyond making cheap and flexible labour available for employers, or coordination, information, and efficiency functions mentioned by Barrientos (2013). Our interviews and field survey show there are long term implications of use of contractor based hiring for the enterprises for employer transaction costs, workers solidarity, workers' retirement and retrenchment costs, and industry level bargaining which helps keeps wages low at an industry-wide level.

8. Collective Action

The overall picture with respect to the presence and role of collective bargaining agents in the garment industry is thus extremely dismal. Although there is some variation across locations, modes of employment and types of employers, these variations are not large.

We found very little evidence of unionisation in the garment industry in the NCR. Among our sample workers, no one admitted to being a member of a union. The industrial relations climate in the industry is not conducive to workers joining a union. When asked why they had not joined a union, almost half the workers said that they were apprehensive of the consequences, while a quarter simply said that they were not interested, but 28 per cent pointed out that there were no unions in their area, or none had approached them. Almost sixty per cent of workers in Noida said that they were apprehensive of consequences, compared to about two-fifth of the workers in Gurgaon and Delhi.

But workers perceive a number of problems at the workplace. The survey asked workers to mention up to three problems which they faced in relation to their work (hence total responses below add up to more than 100 per cent). Low wages were a concern for as many as 81.7 per cent of workers. This was followed by "other problems" (34.3%), long working hours (32.9%), strenuous work (17.3%) and irregular payments (17%). Among those who cited "other problems", 76.2 % were concerned with annual bonuses not being given, 10.2 per cent mentioned lack of regular work, 6.2 per cent mentioned "no accommodation", 5.1 per cent mentioned "no provident fund", and 2 per cent mentioned double overtime not being given.

The pattern of problems reported by workers in different work environment is somewhat unanticipated. Low wages are a concern across the board but reported by a very high percentage of workshop workers (93.5%), followed by large firm employees (84.8%). Long working hours are reported as issues again the most among workshop workers followed by workers in large firms. Strenuous work is also reported as a problem by almost half the workshop workers.

When firms are classified by market orientation, workers in both export oriented firms and domestic firms list low wages as the most important problem, while the former list long working hours as the second biggest problem, whereas in workshops, long working hours and strenuous work were seen as the biggest problems.

Surprisingly, a higher percentage of workers directly hired by firms reported low wages and long working hours as a problem but irregular payments was a far bigger problem among contractor hired workers. A greater percentage of casual workers reported low wages, irregular payments and long working as a

problem compared to regular workers, but twice as a high a percentage among the latter were concerned with the strenuous nature of the work.

The low presence of unions implies that they play a small role in taking up workers' demands. When asked whether any union had taken up demands on their behalf, only 4.8 per cent workers replied in the affirmative.

In the absence of collective bodies, workers do not often engage in bargaining or negotiating with their employers, although the number of times they do so are substantially larger than the cases in which unions are known to have intervened.

In the absence of representative bodies, workers approach their employers – contractors, firm/workshop owners or managers, or their representatives if they have a grievance. Among the sample workers, 41.5 per cent said that they would approach the enterprise owner or manager if he/she had a grievance, 25.6 per cent said that they would approach the contractor, and 32.9 per cent said that they would approach others, including floor supervisors, HR managers, Master cutters/tailors and so on.

About 30 per cent of workers reported having participated in some bargaining/negotiations with their employers. Again the percentage of these workers is higher in Gurgaon (34.2%), and is the lowest in Noida (24.7%). It is higher in domestic firms and medium-sized firms and workshops, and a high proportion of casual workers and workers hired by contractors participated in bargaining.

What is also extremely disconcerting is that workers did not reveal knowledge of any of several labour laws which regulate their working conditions, remuneration, social security, or the industrial relations environment. The survey asked them whether they were familiar with the provisions of the Trade Union Act, 1926; the Contract Labour (Prohibition and Regulation) Act, the Factories Act, the Minimum Wages Act, and the Workmen's Injury Compensation Act, and all workers replied in the negative.

The survey also looked at pro-active interventions by government agencies and non-governmental agencies acting on behalf of buyers or third party audits. Just under a third of the workers reported that their firms had been inspected by government agencies. Government inspections were reported by a slightly higher proportion of workers in Gurgaon and Delhi than in Noida (where the sample consisted of more of larger firms, and firms located in the EPZ). More than half of the medium sized firms had been inspected, compared to 27.2 per cent large firms, 21.3 per cent small firms and 16.1 per cent workshops. A larger percentage of domestic firms were inspected compared to export oriented firms in the sample. In a small number of cases, workers also reported that they were separately interviewed by government inspectors. But the dominant impression among the workers was that the inspectors strike a deal with employers and then leave. In our interviews with employers, government inspection was seen as an irritant but as something employers know how to "manage".

Compared to government inspections, buyer related audits/inspections were more likely to take place. The picture in this case contrasted with the picture of government inspections. Export oriented firms take these inspections quite seriously and some of the largest firms have compliance divisions to deal with social audits. While 78.3 per cent workers in large factories reported that their employing enterprises has been inspected on behalf of buyers or third party audits, 57.1 per cent workers in medium enterprises and 55.1 per cent workers in small enterprises said so. Smaller firms dealing with small, niche buyers face fewer in audits. Workshops were not inspected at all. Expectedly, these inspections were common only in export oriented enterprises (73.1 per cent workers said that these firms had been inspected) compared to domestic enterprises (10.6 % workers). Inspections on behalf of buyers were reported by 82.5 per cent workers in Noida, 51.3 per cent workers in Delhi and only 39.5 per cent workers in Gurgaon. Thus these inspections were quite prevalent in the export oriented firms, more so in larger firms. Workers had the impression that these audits were quite thorough and generally involved asking questions of them. But contract workers reported that they were asked to leave the premises during these inspections and other workers reported that they were schooled extensively about replies that they were supposed to give. Firms

with multiple units, dress up one of the units (usually a finishing unit) as a "compliance" unit, where they are more prepared for inspections. Other studies have reported a close monitoring of workers who interact with the auditors (Singh et. al. 2004, SLD 2012).

9. Informality and Labour Flexibility in the Organised Garment Industry

The ILO defines informal employment along two axes, viz. job security and social security. Job security can be defined in terms of a long-term contract which also prescribes reasonable conditions for termination of the contract. For India, the NCEUS (NCEUS 2007) used employer provided social security as an indicator of formal employment. Subsequently, Srivastava (2015) has argued that job security, is the primary characteristic of formal employment, and the existence of written job contracts, for which data exists, could be treated as a proxy indicator for job security,.

In Indian labour law, conditions of job security are determined by the Industrial Dispute Act and the Standing Orders on Employment. Workers require being able to demonstrate one year of continuous employment, or 240 days of employment in the last one year, to claim protection under the IDA. A written contract facilitates establishment of employment status. But only five workers in our sample had written contracts. Alternative evidence can be provided on the basis of pay slips and attendance records. But the latter are with the employers. Pay slips or EPF, ESI records can be used, provided there are no breaks in the worker's employment. In a number of firms, workers are periodically given breaks and then re-hired. But we do know that in some firms, all workers are not retrenched even in lean seasons, and at least a core contingent of skilled workers is kept on the bench and paid a retaining allowance or salary. So there is some likelihood that some firms do maintain a core workforce which has a continuous job and can claim protection under the law if required. Among the sample workers, 14.1 percent had worked continuously for a year or more, subscribed to the ESI and EPF, and received paid holidays. These workers could conceivably claim protection under employment protection legislation. Only 4.5 percent workers had worked continuously for more than five years, subscribed to social security legislation, and had paid holidays. These workers could conceivably be entitled to gratuity or other retirement benefits. The results of a logistic regression for formal employment show that directly employed, regular workers from the older cluster of Delhi were significantly more likely to be in formally employed, and while such employment was more likely in medium—sized domestic firms, the difference with export oriented, and large/small firm was not significant.

Notions of labour rigidity could thus extend, at the most, to one in seven workers in the organised garment industry in the NCR. Moreover, in the absence of any countervailing power and weak state regulation (intervening more systematically in favour of capital), even the limited tendencies of formality cannot be very helpful to workers, if there is a dispute. As Chang (2009) argues, the absence of countervailing power virtually creates de facto informality across the board, and this is also true for the garment industry. *In effect, the formal garment industry in the Delhi NCR has achieved near complete labour flexibility (numerical), and informality in the sense that we have defined it here both amongst the directly hired workforce and the contract labour force.* The other Indian clusters appear to have achieved labour flexibility through different routes. Thus, in Bangalore, where most workers are "regular" and receive social security payments and overtime, Kalhan (2007) describes the workforce as being "permanently temporary" and low wage (see also Roy, 2009, for Tirrupur).

Our earlier results have shown that contract labour in the garment industry is not a means either to achieve lower recruitment costs or lower average labour costs in the short run, through cheaper labour. So why do firms resort to contract labour? The main reasons seem to be that use of contractors maintains a very high degree of flexibility, in a situation where the laws on the statute books can potentially lead to some 'inflexibility'. Further, contractors reinforce control over labour, and keep supervision costs and other transaction costs low and the consequent labour market segmentation makes any collective activity

among workers even more difficult. This affects overall wage dynamics, dampening the push for higher wages, and lowering long-term wage-related costs.

Collective organisation by workers is resisted by employers at all costs. The security apparatus in the factories (both formal and informal), threats of dismissal, and the use of contractors and their henchmen, are used to ensure that unions do not reach the ranks of workers. Workers known to be close to any union are dismissed from employment. Unfair labour practices in the form of abusive and coercive behaviour, and illegal terminations are also reported by other studies (SLD 2012). When grievances multiply, workers sometimes approach external unions, but no collective organisation is permitted within the precincts of the factory.

In the medium term, the absence of any collective activity and the segmentation of the workforce drive down the wage level. This is also common in other clusters (Kalhan 2007, Fairwear 2012). As we have observed in this study, there are no major differences in the formal sector of this industry in terms of wage level, and workers do not and cannot share in increasing productivity, which is either skimmed off by the firm owners or their principals higher up in the value chain. The logic of global competition comes in handy as industry bargains for more flexible laws with the government.

The role of the contractors in labour control and segmentation are important as firms in Delhi deal with a major garment clusters in India. In Bangalore, where the workforce is feminized, hiring is mostly direct. In Tirrupur, labour contractors are principally used to bring in long distant inter-state migrants. In the case of female migrant workers in the Southern clusters, there are significant life cycle issues which keep the working span of these workers to a few years and employers are able to keep the workforce both informal and flexible. Even in the two feminized Delhi firms, female employment has associated with direct recruitment.

Such a high flexibility and the reproduction of a workforce which hangs between town and country is not without considerable costs to industry and the capitalists. Given the high turnover which these policies generate, owners cannot invest sufficiently highly in skills, and given workforce characteristics, there is a negative consequence for productivity. Daily absenteeism itself is about as high as ten per cent.

10. Labour Standards, Regulation, and Labour Policy

Labour standards in the garment industry in India are influenced by the interaction between formal and informal regulatory structures, production organization of the industry, and the location of the export oriented firms in global production networks. Both the informal regulatory structures and the formal regulatory role of the state vary across the geographical and production space. Over the years, the regulatory role of the global governance structures, operating through buyers, as well as in the form of voluntary codes or social standards have acquired an increasing presence for Indian firms located in the GCCs, which are therefore subject to dual, or rather, multiple systems of labour regulation (as different buyers follow different practices and precepts to implement codes).

The setting and implementation of social standards in local firms through buyer codes, or third party audits has been critiqued for the imposition of external standards, meant for formal labour relations in factory-type production, and for the power structures which they reinforce both globally and down the commodity chain (de Neve 2009, Mezzadri 2012). Multiplicity of codes and the mechanism of their implementation also imposes a high transaction costs on local suppliers (de Neve 2009). Sub-contracting and the informalisation of labour relations present formidable difficulties in the implementation of these codes (Mezzadri 2008, 2012; 2014; Barrientos, Barrientos, Mathur and Sood 2010). It has been argued that the codes have limited effectiveness for permanent/regular (formal) labour in the factory setting where they are able to improve labour standards in matters such as minimum wages, overtime, health and safety. But labour standards are less effective or even completely ineffective in the case of temporary and contract workers, for peripheral workers, lower down the value chain, and for less visible dimensions of labour standards such as the right to association and non-discrimination (Barrientos et al, de Neve,

2009). One of the crucial issues is the conflict between the imperatives of global capital, which constantly pushes suppliers into adjusting production and labour deployment strategies, and the move to have labour standards consistent with decent work, which are predicated upon formal rules.

However, labour standards in the industry are also influenced by factors that are affecting capital-labour relations and labour standards across all industries in India, in the context of globalisation. We have shown elsewhere that informalisation and labour flexibility has been increasing in organised manufacturing as a whole, with implications for labour standards (Srivastava 2014, 2015).

Paradoxically, Indian labour laws are still considered to produce labour market rigidity. OECD studies (Dougherty 2008) have compared India's legal regulatory framework with other countries, and have concluded that Indian labour laws are more rigid than most countries in a number of respects.¹² Some government policy committees such as the Planning Commission Task Force on Employment (Planning Commission, 2001) and a number of studies have focused on excessive labour market rigidities in India due to employment protection legislations which restrict employment termination. The main focus in the literature has been on the provisions of Industrial Disputes Act (1947) which places restrictions on individual and collective dismissals. Section 5A of the Act which governs lay-offs and retrenchment and Section 5B of the Act, which requires factories with more than a hundred workers wanting to retrench workers to seek prior permission from the State, has been especially singled out in the debate. The law regulating the use of contract labour has also been criticized for being unduly restrictive. Similarly, the Factories Act, which also regulates conditions of work in factories, including hours of work and overtime is also criticized for not permitting sufficient flexibility to employers. Although informalisation is increasing, business associations and policy circles in India are pushing for institutionalisation and legalization of flexibility and informalisation (Mezzadri 2010).

Labour laws in India are a state subject and most empirical studies on the above issues focus on manufacturing and attempt to demonstrate the beneficial impact on growth and employment in states with more liberal labour regulatory regimes. Several of these studies use a labour rigidity index for Indian states (with or without modification) which was compiled and used by Besley and Burgess (2004) with data for the period 1949 to 1992 for state level amendments to the IDA. The OECD has also developed indicators to capture labour reform at the state level.

However, the increasing informalisation to which we have referred to earlier is due to two main facts. First, the situation with regard to labour laws has not remained static since the early 1990s and states have been undertaking *de facto* and *de jure* changes in labour market regulation at different speeds and in different sequences. These reforms encompass changes in the inspection system, in IDA, in the Contract Labour Act, and in the applicability of labour laws to groups of industries (such as Service sector industries, IT, or those located in Special Economic Zones) (Papola, Pais and Sahu 2008, Sundar 2008, Sharma and Kalpana 2008, Banerjee 2008). Second, *de facto* changes have occurred due to decline in the availability of personnel and resources in the labour departments, and greater willingness of governments and the courts to support employers (Papola et al 2008, Dougherty 2008, NCEUS 2009b). Enforcement of the CLRA has weakened with very low and declining levels of inspection and a smaller proportions of prosecutions and convictions (Anant *et al* 2006). NCEUS (2009) has pointed out that State governments have been liberally granting permission for lay-offs under Section 5B of the IDA.

The above trends have accelerated in the last few months. The current Union government and several of the state governments have adopted labour reforms as a key policy agenda, with the professed objective of bolstering manufacturing in India. In recent months, some state governments have taken further steps to liberalise three key laws viz. the Industrial Disputes Act, the Factories Act and the Contract Labour Act. These amendments affect not only flexibility of firms in these states to dismiss workers, but also

¹² The OECD methodology evaluates the stringency of a country's labour regulations in three areas viz., those for regular (indefinite contracts), for temporary or fixed term contracts, and for collective dismissals.

affect regulation of working conditions (under the Factories Act), the raising of disputes, and the formation of trade unions. Further, amendments have also been made to laws/rules concerning the inspection of factories. The Central government has also introduced amendments to the Factories Act, 1948; and the Labour Laws (exemption from furnishing returns and maintaining registers by certain establishments) Act, 1988. The Factories Amendment Bill, 2014, allows State governments to raise the threshold of coverage from 10 workers to 20 workers in factories operating with power and from 20 to 40 in factories not using power. A draft proposal for small-scale industries has been put up on the Labour Ministry's website, exempting units employing up to 40 workers from at least 14 basic laws, which include exemption from the Factories Act, the Industrial Disputes Act, the ESI Act and the Maternity Benefits Act. It has now proposed the consolidation of 44 labour laws into four labour codes on wages and remuneration, industrial relations, industrial safety and welfare, and social security. While some of these amendments (which follow state level de jure and de facto changes) reduce the transaction cost of firms in maintaining registers mandated by law, and reduce inspections, they possibly run counter to ILO Convention C. 47 ratified by India, and may have negative consequences not only for regulating conditions of work, but also for safety, and accidents (Sundar 2014). Most of the changes introduce greater labour market flexibility and restrict workers' rights to form trade unions and engage in strike action.

How do the factors mentioned above relate to the garment industry? This paper has examined labour standards in the most densely regulated segment of the apparel industry in India (the factory sector), in the light of policy changes which were intended to increase scale and economic upgradation of garment manufacturing and thereby increase exports and Indian presence in the global GCCs. It has compared labour standards across the entire spectrum of organised garment manufacturing, including firms which are small in size, and subject to weaker regulation, and those which manufacture mainly for domestic markets, and hence are not subject to international regulation, and firms (workshops) where labour conditions are not regulated. We have also examined labour standards in the context of three provinces which have autonomy both in setting regulatory legislation and in the governance of such legislation. Large and medium export oriented factories/firms, in particular, are located within GCCs and are subject to both international regulation through buyers and social audits, as well as state legal regulation.

In general, our findings show that workers in the more regulated environments (factories) enjoy better working conditions than those in unregulated environments (workshops). Within factories, regular workers directly engaged directly by firms were much more likely to enjoy benefits such as leaves and holidays, bonus, and social security payments. But very few among them were able to secure long term leave or retirement benefits or other benefits such as overtime rates.

The visible areas of difference due to scale and market orientation, is in the coverage of ESI and EPF, leaves and holidays, bonus, and use of safety equipment. In each of these, large-medium units, as well as export oriented units show better coverage. This can be seen as a success of the regulatory regimes in existence. But on other dimensions, the performance is mixed. Wages are similar across size/scale as well as market orientation of units. The average wages are also close to the legal minimum wage level and some workers get below this level. Very few firms in any category pay proper overtime rates. Working hours are higher in large units and export oriented units, and most times of the year, exceed the legal ceiling on weekly working hours. Workers are subject to a very strict labour regime in large as well as export oriented firms and cannot refuse to do extra work that is assigned to them. This can be especially tough for women workers. Health risks due to long hours of work, dust and eye strain continue to be very high in these firms. Job durability is low across the board, although the percentage of workers completing one year of employment in a unit is slightly higher in export oriented and large-medium units. The difference made by the implementation of buyer codes and third party social audits to workers' conditions on these visible parameters is small, if any, and that, too, is restricted to units which firm call "compliance units", i.e. firms likely to be inspected by buyers or third party auditors.

At the same time, factories have gradually been able to shift the composition of their workforce towards more flexible labour and informal labour regimes which have come to dominate the factory sector, extending across both directly engaged workers, and workers engaged through contractors. Because of informal and oral contracts and short employment tenures, only a very small percentage of “regular” workers can take recourse to industrial dispute resolution mechanisms. But this job is made much harder because of the absence of unions among the workers, although when disputes arise, workers occasionally approach external unions. The presence of various types of contractors in the factories (through in-contracting), undoubtedly gives the employers greater flexibility in labour deployment. Moreover, contractors and contract labour are used to segment and discipline the workforce, keep out unions, thus weakening the collective bargaining ability of workers and hence also influencing the long term wage dynamics. These changes have occurred in the factory sector despite the growth of large-scale garment manufacturing. Further, we have examined these changes in the context of different regulatory regimes in the three adjacent states but we do not find evidence of significant differences in labour standards across the states.

It seems clear that the dominant impact of global capitalism is on the downgrading of labour standards through taking recourse to informal structures of production, and informal and flexible employment relations in all types of production structures and through denial of labour rights, specially the right to association. Reports from the other major garment clusters in India shows some common features - unfair labour practices and low unionisation, high labour flexibility enforced through different routes, long working hours, and low wage regimes, while there are some difference in the workforce composition, recruitment patterns, employment relations, and coverage under specific types of social security entitlements.¹³ *Over time, however, compared to the results reported by Singh et. al, (2004), the percentage of workers getting defined benefits appears to be lower in our survey, and this is consistent with the changes in the workforce and its increased informalisation.*

The extensive literature on social codes implemented by buyers acknowledges the contradictory pushes imposed by standards of quality, prices, and short lead times imposed by global buyers, on the one hand, and social codes, on the other (Barrientos and Smith 2007). This literature also acknowledges that the codes have had some, albeit limited positive impact, on outcomes, although not on process issues, such as labour rights and the rights to association. By taking a wider canvas in this study, as also a limited comparison across time, our conclusions are less sanguine about the overall impact of the global regimes on firms' labour standards. Moreover, this low wage, high flexibility, high work intensity regime in the industry, which is a result of both industry-specific and non industry-specific factors, can only worsen the conditions of work if Indian labour policy further weakens labour rights and the rights to association and legitimises increases in labour flexibility, while not undertaking reforms which can improve the position of labour in the lower segments of the value chain.

A full discussion on what can be done to improve labour standards in the industry is outside the scope of this paper but our analysis and results suggest campaigns and concerted action in a three pronged direction. First, and foremost, the institution of labour rights for workers in all segments of the value chain, while recognising the need for adequate labour flexibility among first tier suppliers, through proper legislative framework and its implementation. Second, regional coordination and action on issues such as a floor living wage and core labour standards across supplier countries. Third, sensitizing buyers, who are outside the national framework, on developing appropriate long-term relationships with suppliers, with labour rights at the core, but with implementation frameworks with smaller transaction costs for all concerned parties.

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¹³ see Kalhan (2009), Roy (2009), Fairwear (2012), Jenkins (2013)

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