CHAPTER 2
CAPITAL-LABOUR RELATION IN THE ERA OF GLOBALIZATION

Today, globalization has become the key word for understanding the changes taking place in the world economy. Globalization means many things to many people. Stated most simply, globalization represents a ‘world without walls’ (Friedman 2000:133) in which information, capitals and goods move easily across national boundaries. The process has been defined as ‘the inexorable integration of markets, nation-states and technologies to a degree never witnessed before (ibid 2000:9).

Different scholars have viewed these changes differently. Neoliberal theorists have seen these developments as inevitable for economic growth. They argue that rigidity of labour market and the welfare nature of erstwhile state have constrained economic growth.

The neoliberal program was designed in the 1970s and 1980s by the international financial agencies and the think tanks of the newly organized transnational bourgeoisie. This program calls for the elimination of state intervention in the economy and the regulation of individual nation-states over the activities of capital in their territories. It seeks to achieve the conditions in each country and region of the world for the mobility, free operation, and expansion of capital (Robinson 1998). Critics of neoliberal thesis, on the other hand, argue that the above developments have far reaching consequences on labour pushing them further on the threshold of poverty. They put forward the ‘race to bottom theory’ that refers to a trend in the liberalized world economy in which developing countries are forced to compete with each other for investments by powerful TNCs (Svensson 2006).

In both the discourses, there have been abundant references to the concept of restructuring labour in terms of worsening work conditions and increased flexible and casual work. While too much attention has been paid on restructuring
relationship between labour and capital, less have been said or written on the strategies adopted for reorganizing labour. There has been almost a deafening silence on the implication of the changes taken place at the global level for reorganization strategies of the labour force.

Globalization has led to restructuring of production process and changes in work patterns and employment relations. The growths of TNCs are also altering the traditional power balance between capital and labour (Trouillot 2001). Since 1970s, capital has taken advantage of the varying economic conditions and has appropriated labour in terms of being cheap, flexible and casual. The process of outsourcing and subcontracting and the absence of trade union affected the capital–labour relationship. In India not more that 1% of the labour force is covered by collective wage agreement (Bhowmick 1998).

These changes in the past three decades have resulted in deep crises for the working class and the associated movement worldwide. Trade unions, probably the most important institutions created in the wake of the rising working class movement in the 19th Century, legitimately failed to organize labour in the era of globalization. According to ILO World Labour Report (1997), union membership as a percentage of formal sector workers in India has declined from 26.5% to 22.8% between 1985 and 1995. And less than 2% of workers in the informal sectors in India are covered by bargaining agreement. In the present study I have tried to limit the term globalization to the movement of capital and capital at the global level. The changing capital-labour relations can be located within the following two frameworks: firstly the framework of New International Division of Labour (NIDL) and secondly Global Production Network/Supply Chain (GVC).

The first section traverses through the processes that have been affecting capital-labour, relations in the period of globalization. In the analysis it will be seen that
while labour has been devising ways to organize themselves, capital has been devising its own ways to do away with labour. Capital is continuously seeking ways to evade labour (Varman 2003). And to understand the changing capital-labour relation it is imperative to understand the characteristics of capitalism as an economic system and its present phase of globalization.

The second section looks at the structural shift in division of labour at global scale introduced by the new international division of labour. The section on New International Division of Labour (NIDL) looks at some of the strategic processes taking place at the global level. NIDL theory addresses the nature, distribution and interrelationship of labour processes across the globe (Henderson 1986: 86). The NIDL approach helps us to locate the trends towards outsourcing of production to developing countries.

The third section examines how the processes of informalization and casualization have far reaching consequences on labour. It is in these forms of production that state fail to regulate and the workers themselves are unable to organize. The private initiatives to regulate these productions have not been able to make fruitful changes. The conditions of the workers therefore remain vulnerable.

The fourth section looks at the emergence and consequence of subcontract and home based forms of production as outcome of the processes of informalization and casualization. A large segment of garment production is being contributed by subcontract and home based workers. They form part of the informal sector and are beyond state regulation. Further since these workers are invisible and unaccountable they remain unorganized. The analysis of the emergence of these new forms of production processes in the restructured economy requires gender analysis as these processes have far more impact on women than on men.
The fifth section on feminization of labour reflects on the impact of globalization on women workers in the garment factories. What is important in the present study is to see how the macro processes has altered the organizational relation of the workers. Within the macro process of change there is the need to reflect on the role of major agents in the production network, also referred to as global value chain.

The sixth section on global commodity/production network locates the emergence of the concept of production network as an analytical tool for understanding changes taking place in the socio-economic sphere. Production takes place in a network of global production system in which both public and private institutions are involved in the production of goods and services. The network consists of workers from firms, factories and mines, the employer, the state, the buyers and the retailers. The production network is referred to as supply chain which is also referred to as ‘value chain’ as a result of different actors adding different values down the chain.

Production in the global value chain is marked by intense competition among TNCs. It has created new opportunity for labour intensive export from low cost locations. Under strict competitive pressure TNCs pass on the costs and risks to the weakest links in the chain: the workers they employ. The strategy is simple: make it cheap and flexible. Forced with fluctuating orders they hire workers on short-term contracts and sub contract to unseen producers. The sociological significance of the present study lies in the analysis of how the profit generated, referred to as ‘surplus value’;\(^\text{21}\) is appropriated by different agencies in the value/supply chain.

\(^{21}\) Surplus value is a concept created by Karl Marx in his critique of political economy, where he argues that the workers produce a value equal to their wages plus an additional value, the surplus-value. This surplus value is appropriated by the capitalist for profit (Marx 1863)
The global value/supply chain (GVC) approach in the present study provides a way of analyzing the linkage between labour and global buyers. This section looks at the relationship between different actors in the global value/supply chain that is at the relation between retailers, contractors, subcontractors and workers. The relationships are seen as asymmetric as different actors use access and control of resources and information differently. Labour is one element in the chain but is often overlooked in GVC analysis. This chapter looks at the position occupied by the workers in this chain and how different actors in the chain affect the life of the workers. Such an analysis would enable us to understand the transmission of codes of conduct to workers.

I. Re-examining Capitalism

Capital and labour are two basic and complementary factors of production in addition to other factors like land and technology. In any production process, capital is required to provide the resources, equipment, infrastructure support, etc. to help labour produce goods and services, while labour is required to utilize capital, resources and other factors for producing such goods and services. Hence, capital requires labour as an integral factor of production while labour is seldom capable of producing without capital. The dynamics of capital-labour relation has to be understood within the context of capitalism. The next section looks at the conceptualization of capitalism

Capitalism and its characteristics

Capitalism is a difficult, problematic term; it applies to diverse phenomenon spread across disparate historical cultures with substantially variable worldviews. Capitalism is driven by endless pursuit of new sources of growth and profit. Firstly it is essential that capitalism be defined as...
...the structure of production where economic activity is orientated first and foremost to the accumulation of surplus". This means that capitalism is the cycle of money within any economy, whether it is state or global orientated. Capitalism as a mode of production privately owns capital-in the form of money and credit, physical machinery, stocks of goods and labour. Production is for sale, labour is for sale and the sale is medicated through money. Capitalism has become the dominant form of economic organization across the world (Beeson & Bell 2005: 116).

In a modern institutional context the expansive drive of capitalism has been reinforced by the dynamism of corporate competition and the need to maximize shareholders value (ibid). Marxist scholars have formulated the following characteristics of capitalism: profit driven and market governed resources, allocation and commodity production, private ownership and control of means of production, the dominance of commodified wage labour and individualistic, acquisitive behaviour (Hunt 1979).

According to Marxist theory, capitalism has evolved through four distinct phases: (1) the age of discovery and conquest characterized as the epoch of mercantilism and primitive accumulation (2) the birth of industrial capitalism characterized by the rise of the bourgeoisie and establishment of the nation-state (3) the emergence of corporate monopoly characterized by the dominance of financial institutions (4) the current epoch of capitalism characterized by the demise of socialism as a social system and coming of the information age (Burbach & Robinson 1999:11).

**Capitalism in the global era**

Globalization has been a part of the capitalist system since its inception in the 16th century (Wallerstein 1974). However by the end of the twentieth century and the beginning of the twenty first century, globalization has been influencing the ongoing development of capitalism in a unique and powerful fashion (Lippit 2005). New market, new raw material and cheap labour offered a mean of maintaining profitability and focusing on the process of capital accumulation and
reinvestment that has always been fundamental to capitalism and its possibility of flourishing (Beeson & Bell 2005). Many have argued that changes taking place in the world economy since 1970s is a new form of capitalism, also referred to as globalization.

Globalization represents a transition from the nation-state phase of capitalism to a qualitatively new transnational phase. This transnational phase is not a radical rupture but an outgrowth of capitalism's development, characterized by a period of major restructuring of the system, including its institutional form. Each epoch in capitalism's historical ascendancy has seen a successive expansion of the system over the preceding epoch and has also seen the establishment of sets of institutions that made these expansions possible and has organized long-term cycles of capitalist development (Robinson 1998).

The salient features of capitalism in the era of globalization are:

i. Internationalization of production whereby both capital and labour are mobile.

ii. Technological changes that have strengthened global market economy.

iii. Growth of international institution as regulatory mechanism.

iv. Dominance of corporate power over state power

The most salient feature has been the overwhelming growth and dominance of TNCs. The TNCs acts as a vehicle to accelerate the pace of global capitalism. This is done by TNCs, through the use of low cost and low-skilled labour. TNCs are engaged in an organizational and spatial separation of labour processes across the globe. The global sourcing system of networking with sub-contractors at the end of buyer-led commodity chains has led to a hidden and increasing ‘peripheral’ flexible labour force of unskilled men and women:

Reduction of labour costs has become an integral part of the corporate strategy for competition. Through the process of globalization of their production, TNCs have "rationalized“ their operations and reduced costs by splitting up portion of their production chains and relocating the various links to countries with lower labour costs, more competitive suppliers, cheap natural resource, more relaxed environmental legislation or more favourable government policies. Lower labour
standards in the developing countries can give TNCs the means to reduce their labour costs (Tsogas 2001:4)

The dominance of the transnational corporation has led to debates stressing the decline of the role of state. It has been argued that there is increased privatization of various spheres of the economy and society with a proportionate decline in power and ability of the state and other political institutions to control their national economies, relative to earlier periods (Rao 1998). Under the current wave of globalization the state has lost its traditional power in controlling and regulating the various spheres of society. However this is in no ways an indication of the demise of state, it still continues to be the chief administrator of power. These debates have been examined in greater details in the third chapter. What is relevant here is to see how the changing role of the state and the dominance of TNCs led to restructuring the relations between capital and labour.

**Global restructuring and its impact**

There has been a global restructuring of relation between labour and capital in the era of globalization. Ward and Pyle (1995) suggest that there are three noteworthy trends in global restructuring.

i. The brisk globalization of productive and marketing activities by transnational corporations from developing countries has been accompanied by substantial informalization and subcontracting of work arrangements beyond state regulation.

ii. A progress toward market-based, export-oriented strategies, mainly as a result of World Bank and International Monetary Fund (IMF) imposed structural adjustment policies (SAPs).

iii. Numerous economic crises occurred, involving periodic recessions, debt, and unemployment. These changes have introduced new forms of employment
like subcontracting and home-based work, which has consequently affected the conditions of workers.

Thus the relation between capital and labour has been undergoing change and has acquired new forms under the ongoing global process of casualization and informalization of labour. These include subcontracting and contract labour, outsourcing, part-time and temp work, informal work, home-work, the revival of patriarchal, "sweatshops\footnote{The use of the term 'sweatshops' goes back to the nineteenth century with the description of conditions of work under which industrial labour toiled in England. The term characterizes places of monotonous work for long hours at low wages under hazardous conditions. The term sweatshop derives from the system of "sweating out" production.}22," and other oppressive production relations (Robinson 1998). The global restructuring of the Indian economy has taken place mainly due to two factors:

1. Relocation of Production Process- The NIDL hypothesis viewed the process of globalization as a movement from high wage cost regions (developed) to low cost ones (developing countries) as suggested by Frobel, Heinrichs & Kreye (1980). The relocation of manufacturing industry from the developed to developing countries was the direct result of two major developments in the world capitalist economy which began in the 1960s. This process began when manufacturers began to shift production to Japan to take advantage of the lower wages prevailing there. Subsequent to the economic boom in Japan accompanied by rise in wage rates, manufacturers began to shift production to Hong Kong (Jones 1971:140). From Hong Kong, capital migrated to South Korea and Taiwan to benefit from the lower wages prevalent there (Bonacich et al 1994: 23). The process of incorporation of other East Asian economies was also aided by the growing FDI
(Foreign Direct Investment)\textsuperscript{23} by Japanese firms in neighbouring countries to take advantage of the prevailing low wage rates (ibid).

2. Growth of Export Manufacturing in many of the developing countries (refer to Table 2). International competition in manufacturing trade forced the developed countries to relocate in the developing countries to be cost effective in their own countries. This led to restructuring of trade relation between the developed and developing countries. Earlier it was the developed countries that specialized in production and export of manufactured goods but now it has shifted to the developing countries. This has been due to the opening of global economy whereby the developing countries have become producers of exports and are part of internationally competitive trade (Standing 1989). At the end of the 1990s, the developing countries accounted for 70% of exports of manufacturing goods. This indicates tripling of its share in the last two decades (UNCTAD 2001: xviii).

The main factors that have contributed to the growth of export manufacturing in the global economy were: -

1. The rising cost and wage in developed countries
2. Easy availability of cheap labour in developing countries
3. Opening of the economy to the world whereby government policy favoured export rather than import.

These conditions were more prevalent in the Asian continent. The 'new' international division of labour thus led to the growth of an export-manufacturing sector in the Asian countries (Kabeer 2000). Countries like Hong-Kong, Taiwan,

\textsuperscript{23} FDI stands for Foreign Direct Investment, a component of a country's national financial accounts. Foreign direct investment is investment of foreign assets into domestic structures, equipment, and organizations.
Table 1: Export Growth of selected countries

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>Percentage growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1995-01</td>
</tr>
<tr>
<td>1</td>
<td>China</td>
<td>12.4</td>
</tr>
<tr>
<td>2</td>
<td>Hong Kong</td>
<td>3.6</td>
</tr>
<tr>
<td>3</td>
<td>Malaysia</td>
<td>6.6</td>
</tr>
<tr>
<td>4</td>
<td>Indonesia</td>
<td>5.7</td>
</tr>
<tr>
<td>5</td>
<td>Singapore</td>
<td>4.1</td>
</tr>
<tr>
<td>6</td>
<td>Thailand</td>
<td>7.4</td>
</tr>
<tr>
<td>7</td>
<td>India</td>
<td>8.5</td>
</tr>
<tr>
<td>8</td>
<td>Korea</td>
<td>7.9</td>
</tr>
</tbody>
</table>

South Korea and Singapore became major player in the export of manufactured goods. Export of garments, leather goods, food products, toys and jewellery became important for the economy (Banerjee 1991:14). The 1980s witnessed the incorporation of other Asian countries with relatively low wage levels like China, Thailand, Indonesia, Sri Lanka, Pakistan, India and Bangladesh into the world trade. This trend continued and at present these countries have established themselves as major players in world garment trade (Gereffi & Korzeniewicz 1994:59). By the 1990s these economies had become a leading growth area of the global economy and had also experienced their own capitalist crises (Munck 2002). Today large local firms have assumed the status of TNCs and started outsourcing manufacturing in other developing countries.

In India the period after 1990s, witnessed increase in the manufacture and export of goods for the developed countries. The manufactured sector, that includes textile and garment, contributes the highest in terms of exports. The exports of manufactured goods almost doubled after the NEP (New Economic Policy) of 1991. Within the manufactured goods, the textile and garment sector shows an

---

24 Source: Economy Survey 2005-06
increasing trend. From 5.5% in 1991 the percent share of export to gross domestic product went to 11.8% in 200525.

In a free global economy both capital and labour tend to remain flexible. That is to say they tend to move to locations where they are most scarce and can command highest returns from employment in production. At the same time, there is the emergence of international suppliers of goods who rely less on direct production within a specific location and more on subcontracting as a greater part of their production activities. This has led to the emergence of global 'manufacturers without factories'26, that is they are concerned in retailing and buying and selling of products without being involved in the production process. These global firms are located primarily in the developed countries but their production takes place in manufacturing units in the Third World countries. Stating on the ease to relocate, Manjit Singh highlights the flexible nature of capital in present times:

It is not workers who are supposed to go to the factories to sell their labour power but rather capital through its flexible structure, which approaches the workers right in their houses thanks to relative independence of each step in the detailed labour process. The whole process is linked through a chain of intermediaries who act as an intermediate appendage of capital (Singh 1990).

Global trade and investment patterns tend to privilege capital, especially companies that can move quickly and easily across borders, and to disadvantage labour, especially lower-skilled workers that cannot migrate easily or at all (Rodrik, 1997). To increase their global competitiveness, more and more investors are moving to countries that have low labour costs or shifting to

25 Source-Economic Survey of India-2004-05
different modes of informal employment arrangements like subcontracting and home-based work.

II. New international division of labour (NIDL)

The International Division of Labour (IDL) is one of the dynamics of the process of globalization. The IDL is believed to have far reaching impact on employment relationship and therefore subject to research and debates. There is no doubt that with globalization comes what Campbell et al call ‘the rising phenomenon of labour market interdependence’ (1997: 10). The most significant attempt in the past two decades in this direction is the research of Frobel et al (1980), whose thesis renames the phenomenon of the IDL in a globalizing economy the New International Division of Labour (NIDL).

The present study, at the outset, examines the debates around NIDL in an effort to map the reorganization of labour in the garment factories. The debates around NIDL are broad and complex. The study will focuses on three categories of changes taking place in the global economy due to NIDL. These changes are:

- The changing patterns of the division of labour over the past two decades
- Changes to the location and nature of labour processes
- Changes to the nature of the production patterns of transnational corporations

The first two points form the core of the present chapter while the last point will be dealt in subsequent chapters.

26 The internationalization of production process has led to a move towards outsourcing of production to independently owned factories. This extend of shift is demonstrated by the emergence of 'manufacturers without factories' companies like Nike and Adidas which have been built their success on the promotion of brand labels. They concentrate on increasing profit through design and marketing whilst reducing costs and risks their outsourcing (Broad 2002:193)
Division of Labour

The concept Division of labour occupies an important place in sociological analyses. Originally defined by the eighteen-century political economist, Adam Smith, the division of labour referred simply to specialization of workers in different parts of production process. In general usage 'division of labour' refers to the separation of tasks and/or workers, which occurs with greater job specialization. However, in this the term is variously applied to four related, but distinguishable process: the fragmentation of tasks, the allocation of different workers to those task; allocation of different people to different task and finally the spatial separation of different tasks and workers through their division in production (Massey 1995:25). The NIDL thesis covers all four usage of the term 'division of labour'.

The forefathers of sociology have used the concept extensively in understanding changes taking place in the society. Karl Marx used the concept of division of labour to understand the nature and extent of capitalist exploitations in the production process. Marx argued that the detailed division of labour in manufacturing was intimately associated with the separation of workers from the means of production.

This division of labour is a necessary condition for the production of commodities, but it does not follow, conversely, that the production of commodities is a necessary condition for the division of labour. In the primitive Indian community there is social division of labour, without production of commodities. Or, to take an example nearer home, in every factory the labour is divided according to a system, but this division is not brought about by the operatives mutually exchanging their individual products.

... In a community, the produce of which in general takes the form of commodities, i.e., in a community of commodity producers, this qualitative difference between the useful forms of labour that are carried on independently of individual producers, each on their own account, develops into a complex system, a social division of labour (Marx 1867:62).
Emile Durkheim in his work, ‘The Division of Labour’, argued that the western society has developed from being undifferentiated to being an advanced division of labour. He emphasized the role of modern means of production in creating differentiation and specialization within the division of labour. He states:

The division of labour is, then, a result of the struggle for existence, but is a mellowed dénouement. Thanks to it, opponents are not obliged to fight to a finish, but can exist one beside the other. Also, in proportion to its development, it furnishes the means of maintenance and survival to a greater number of individuals who, in more homogeneous societies, would be condemned to extinction (Durkheim 1933: 271)

... There are societies whose cohesion is essentially due to a community of beliefs and sentiments, and it is from these societies that those whose unity is assured by the division of labour have emerged (ibid: 277).

The sociological understanding of division of labour is significant as in the modern manufacturing too there exists different forms of division of labour, in terms of wages-skilled and unskilled, in terms of mode of payment that can be either as piece-rate or monthly wage. Social differences such as gender also form a criterion for divisions of labour. That is there is gender preference in some jobs. In the present study, there is clear evidence of division of labour in the garment factory as in the course of personal visit to the factory.

1. The division of labour within each factory was fairly simple- skilled, semi-skilled and unskilled.
2. Gender based division was observable at the workplace- the skilled positions (cutting, tailoring) were held by the men and the semi-skilled and unskilled position (pressing, thread cutting) were held in majority by women.

Precondition for NIDL

For Froebel, Heinrichs and Kreye three basic preconditions were required for this to happen:

i. The breakdown of traditional social economic structures in the Third world,
which led to easy availability of a vast pool of cheap labour. In the last few decades, labour-intensive industries such as garment production have increasingly been re-located from developed countries to developing countries with lower labour costs such as China, India, Philippines and Indonesia (Dicken 1998, 290-291). India was the favoured destination for production as the labour cost is the lowest. (Ref to table No. 1)

ii. The fragmentation of the industrial production process, which allowed unskilled sub-processes to be re-located to the Third World.

iii. The development of cheap international transport and communication technology, which made this relocation possible (Froebel et al., 1980:13).

<table>
<thead>
<tr>
<th>S.No</th>
<th>Country</th>
<th>Average Cost Per Worker Per Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hong Kong</td>
<td>3.05</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>0.75</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>13.96</td>
</tr>
<tr>
<td>4</td>
<td>South Korea</td>
<td>3.22</td>
</tr>
<tr>
<td>5</td>
<td>Singapore</td>
<td>2.83</td>
</tr>
</tbody>
</table>

From Old to New Division of Labour

Drawing reference from the sociological debates on division of labour it is clear that the process is intimately linked to the process of globalization. Since the materialization of the ‘New Economy’ there has been an emergence of international division of labour through trade and investments.

The International Division of Labour is the one dynamic of the complex process of globalization that is most deeply affecting the employment relationship. Labour,

27 Source: www.aepe.com
28 New Economy was a term coined in late 1990s by pundits to describe what some thought was an evolution of the United states and other developed countries from an industrial/manufacturing-based wealth producing economy into a service sector asset based economy from globalisation and currency manipulation by governments and their central banks.
carried along in a world of diminishing barriers to trade and capital flows, and is increasingly being transformed from a local into a global resource. (McCallum 1999)

International division of labour has been analyzed in two forms: - the old international division of labour and new international division of labour.

• Old International Division of Labour- at the global scale the division of labour was between the industrialized countries and the non-industrialized countries. The former were involved in manufacturing of primary goods and the non-industrialized countries were engaged in supply of raw material and agricultural goods to the international market. Thus there was a division between manufacturing and primary production whereby the vast majority of less developed countries remained heavily dependent on primary exports. In the words of Naila Kabeer:

The 'Old' International Division of Labour was one in which the advanced industrialized countries specialized in the production and export of manufactured goods while poorer, developing countries produced and exported primary goods (Kabeer 2000:2)

• New International Division of Labour -The emergence of New International Division of Labour by 1970s attracted lot of research. The best-known work done by Froebel et al. (1980), The New International Division of Labour. This work was among the first to point out the new internationalization of production and the incorporation of developing countries into it. In old or classical international division of labour the underdeveloped countries were incorporated into the capitalist world economy only as raw-material suppliers. This began to change in the 1960s and by 1970s there was the emergence of the new international division of labour in which the developing countries have become the desired sites of manufacturing industries for competitive production in the world market (Froebel et al 1978:125) The term new international division of labour was defined as:

The new international division of labour divides production into different skills and tasks that are spread across regions and countries rather than within a single
company. From the 1970s onwards hitherto agricultural countries, particularly in the Asia-Pacific region, became rapidly drawn into the new international division of labour as key production functions were shifted away from the old industrial zones (Cohen & Kennedy 2000: 378).

The theory behind the New International Division of Labour (NIDL) had two parts. Firstly, a global division of labour had arisen, separating the global labour force into a core and periphery countries. This division of labour is comprised of highly sophisticated production tasks (design, marketing, research) in one set of locations, and industrial production based on standard technology and processes in other sites. Secondly, jobs lost in core countries as a result of relocation production were done in the periphery. Thus production is characterized by its 'footloose' and transient nature; whereby TNCs of core countries locate and relocate at will in the peripheral countries.

The main factor for relocating production process to the peripheral countries is the low wage structure and easy availability of cheap and docile labour. However there is ongoing debate on the strategy of having cheap labour as basis of competition in the world market. A recent survey of over 1000 top international companies showed that the two major attraction of India were (1) the potentially huge size of Indian market and (2) the availability of an educated skilled, English speaking labour force at competitive wages. In other words, it was the top end of the labour market, with job security and wages that are high by Indian standards though competitive in international terms, that was seen as being one of the two

---

29 According to the World System theory there is division of the world in core, semi-periphery and periphery is an inherent feature of the world-system. Areas which have so far remained outside the reach of the world-system, enter it at the stage of 'periphery'. There is a fundamental and institutionally stabilized 'division of labour' between core and periphery: While the core has a high level of technological development and manufactures complex products, the role of the periphery is to supply raw materials, agricultural products and cheap labour for the expanding agents of the core (Wallerstein 1974).

30 Footloose mean that the TNCs have no permanent place for manufacturing, they locate and relocate depending on the availability of cheap and flexible labour.
key attractions. In comparison to India, China is seen as a much larger attractive destination, having a larger population as well as a developed consumer market. The new international division of labour has given way to informalization and casualization of labour that has fragmented the workers so as to be controlled by TNCs.

III. Informalization & Casualization of Labour

Over recent decades there has been a substantial rise in the proportion of people engaged in what is termed “informal” employment, generating a broad trend toward “informalization” of labour market conditions in developing countries. Current estimates suggest that informal employment comprises about one-half to three-quarters of non-agricultural employment in developing countries (ILO 2002a). Informalization and casualization are the two interconnected processes that have been accelerated following the new economic policy of the 1990s (Breman 1996). Both processes are the need for flexible production regimes that allow TNCs to encourage employment practices, which allow them to recruit and lay off labour according to their need.

Concept of Informal sector and Informalization

The term ‘informal sector’ has come to be widely used instead to encompass the expanding and increasingly diverse group of workers and enterprises in both rural and urban areas operating informally (ILO 2002a: 2). The concept of ‘informal sector has been used in several literatures since the 1970s. This study takes on the most present understanding of the phenomenon that refers to distinctions between formal and informal forms of employment—and the process of informalization as reflected in the increased prevalence of informal jobs as a share of total employment.

31 Global Business Policy Council 2001
Alejandro Portes and Saskia Sassen-Koob (1987:31) defines the formal sector as all work situation characterized by the absence of (1) a clear separation between capital and labour, (2) a contractual relationship between both and (3) a labour force that is paid wages and whose condition of work and pay are legally regulated. Informal sector on the other hand include the self-employed and contract workers, both of whom rely on insecure wages with no benefits. The primary difference between informal and formal workers is that the latter are protected and regulated under state law while the former are not (Castells 1996).

The informal sector can also be understood in terms of the distinction between the organized and unorganized sectors. The terms informal and unorganized are used interchangeably in research literature. The term ‘unorganized’ is a preferred term and is used commonly in all official records and analyses. It is defined as the residual of the organized sector. The organized sector is usually characterized as enterprises covered by the Indian Factories Act32, which applies to units with electrical power employing ten workers or more, or units without electrical power employing twenty workers or more.

Although informal workers operate outside the state’s jurisdiction, the government is promoting informal employment as it is cheaper and more flexible. Informal labour is thus more conducive to competitive global markets than formal labour (Ahluwalia 2002). With the introduction of private forms of labour regulation attempt made to legalize and organize the informal sector. One of the consequences is that these workers cannot prove that an employer-employee relationship exists, and subsequently can’t make any claims related to job security, social benefits, or other legal claims (Gupta 2002). If they try to organize or

---

32 The Indian Factories Act 1948 is an important legislation regulation the working conditions in the factory having strength of more than 10 workers. For Detail refer to Annexure 4.
demand improvements in their labour situation they can easily be dismissed. In general it can be said that informal sector workers are in a vulnerable position (NCL 2002).

The growth of informal sector has been referred to as the process of informalization. It can be defined as: -

Informalization refers to the process by which economic activities increasingly move into unregulated spheres. It manifests itself in numerous ways: a growth of the informal economy relative to the formal sector; an expansion of temporary, contingent and marginal jobs; an increase in the incidence of outwork (for example home based production); and a lack of adequate enforcement for existing regulations (Heintz: 2003).

Many scholars (Chen, Sebstad, O'Connor 1999) have referred to the process of informalization as a strategy of globalizing process that favours suppression of labour movement, wages and the welfare of the rank and file workers. Under informalization the following observations are made:

- Reducing the core of permanent workers, while increasing the proportion of temporary, home based and casual employees.
- Increasing the use of women and migrants.
- Subcontracting the production of components previously manufactured within the factory.
- Increasing the number of shifts per day or the use of overtime.
- Replacing pay systems based on working time and length of service based piece rates and bonuses or individual appraisals.

In this respect, informalization reflects the erosion of job quality and the expansion of flexible employment practices which has become a defining feature of the current patterns of global integration (Standing 1999).
Growth of Informal sector

The informal sector is growing as a result of the changing organization of production by the TNCs. The emergence of global competition is pushing workers out of the formal sector governed by rules and norms (the formal sector) into unregulated and unprotected sector (the informal sector). In the recent years there has been increase in the growth of informal sector. Recent research has documented a worldwide resurgence of informalization beginning in the 1970s and continuing into 1980s and 1990s (ILO 2002a; Beneria 2001; Portes et. al 1989). In India out of 396.76 million workers only 34.68 million or 8.74 % workers work in the formal sector and 362.08 million or 91.26 % work in the informal sector (Refer to Table 3).

Table 3: Distribution between organized and unorganized Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment (in Million)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formal</td>
<td>Informal</td>
</tr>
<tr>
<td>Organized</td>
<td>30.66</td>
<td>25.79</td>
</tr>
<tr>
<td>Unorganized</td>
<td>4.02</td>
<td>336.29</td>
</tr>
<tr>
<td>Total</td>
<td>34.68</td>
<td>362.08</td>
</tr>
</tbody>
</table>

These figures are estimates based on survey conducted by National Sample Survey Organization (NSSO)\textsuperscript{33} and are nor reflection of exact figures (ILO, 2002:35). The exact numbers are hard to come by but evidence suggests that informal sector workers account for a significant share of the workforce in the export industry of developing countries.

Impact of Informalization

The existence of a large informal sector has a major impact on the labour market and affects the scope for trade union activism. The existence of a large informal
sector has a …

... impact on the labour markets and affects the scope of trade union activism. It
limits the possibilities of industrial action since it represents an uncontrolled and
competitive group which can influence wage levels and threatens job security
(Frias & Ruiz-Tagle 1995: 144).

The unprotected workers of the informal sector are marginalized from labour
legislations and this means that the legislative instrument for protection of
workers become ineffective (Fernandez et.al 2002). Informalization impacts
labour standards through two channels - firstly by increasing the share of workers
who are not covered by formal regulations and secondly by fragmenting the
workforce.

International standards and even ILO conventions do not address the needs of
workers in the informal sector. The unprotected workers of the informal sector are
marginalized from labour legislation and this means that the legislative instrument
as a way to protect workers becomes less effective (Chapman et.al 2002).
Informalization has resulted in a concurrent process of casualization of labour.

**Casualization of Labour**

Since the late 1970s, a relentless process of casualization of labour has been under
way, wherein we see growing numbers of contract, temporary, self-employed and
part-time workers in the older industrial centres of the world economy (Broad
2000). This growth of casual employment is part of what is being referred to in
much of the labour market literature as a shift from a Fordist regime of production
to a “flexible” regime of accumulation (Harvey 1989). Labour leaders have

---

33 The National Sample Survey (NSS), Initiated in the year 1950, is a nation-wide, large-scale,
continuous survey operation conducted in the form of successive rounds. It was established on
the basis of a proposal from P.C.Mahalanobis to fill up data gaps for socio-economic planning
and policy making through sample surveys. http://mospi.nic.in/mospi_about_nsso.htm
accused employers of using the notion of flexibility to deregulate labour markets and discipline workers (Hargrove, 1999; Stanford, 1996).

**Concept of Casual and Casualization**

The concept of 'casual' though being wide and varied is restricted in the present study to those who:

1. Do not have a written contract/ term of condition of working with the employers
2. Are not covered under the labour laws of the state
3. Are non-permanent workers

These features are compatible to the findings from the field whereby it was found that more than 50 per cent of workers in all registered firms did not have written contracts and about 10 per cent did not receive any benefits. Many factories hire workers on both piece-rate basis (whereby wages vary according to output) and time-rate basis (whereby wages are fixed by the week or month). The different types of casual workers include self-employed, home based and those working under contractor or subcontractors.

**Growth of Casual Workers**

In 1983, the "usual status" of 31.5 per cent of the workers was recorded as "casual". The latest round of the NSSO records that the number of casual workers on the "usual status" definition had increased in 1999-2000 to 37.3 per cent of the total. While salaried workers have fallen in proportion to 6.7 per cent, the real increase in casualization has come at the expense of the self-employed category, which has fallen to 56 per cent (Muralidharan 2003).

In the present study, on the basis of interviews with workers and factory managers, it was found that 87% of the surveyed workers were not permanent and
were working on causal basis. Nearly 96% workers with subcontractors and 78% workers with companies were casual. Thus in Delhi there is rampant use of casual workers.

Impact of Casualization

The impact of casualization is very similar to those of informalization as the two process are somewhat related. For purpose of clarity the impacts of casualization of labour can be listed as:

1. Increase in short-term contract work where the worker has no relation with the employers. It is the contractors who act as middlemen between the worker and the employers in ensuring that work is done and payment made.

2. Many factories that were previously part of the formal economy have moved their operations entirely to new locations with non-unionized workforces.

3. Low wages and minimal legal protection of workers- The workers are paid in terms of the amount of work done on piece rate and void of any regular wage. Contract workers are out side the purview of labour legislations.

4. Increase in the vulnerable conditions of workers because of their failure to organize. It is difficult to make an estimate of the actual number of workers working under contract and sub-contract system as trade union has failed to make its presence felt in the informal sector.

Informal and casual workers are found in greatest number as subcontract and home-based workers. It is a vicious circle wherein an increase in informal and casual workers has led to proliferation of subcontracting and the home- based workers. The subcontracting and home-based workers are an area where it is very difficult to organize workers and moreover these workers are beyond state control, therefore in a difficult situation. The next section examines the growth and impact of subcontracting and home-based production.
IV. Subcontracting and Home Based Production

Workers and producers in the informal economy are linked to the global economy in various ways. A large share of the workforce in key export industries work under different production systems, the two most important ones are subcontracting and home-based production systems. These have become the common trend in the global economy (Castells, Portes & et.al 1989).

Subcontracting

Subcontracting is a form of production arrangement in which one firm undertakes the manufacturer of goods for another based on the latter's specifications. In this arrangement, one or more firms mediate the relationship between the subcontractor and the final user of the product/end market. The central organization takes over the function of selling the final products. UNIDO defines subcontracting as:

A subcontracting relationship exists when a firm (the principal) places an order with another firm (the subcontractor) for manufacturing of parts, components, sub-assemblies or assemblies to be incorporated into a product, which the principal will sell. Such orders may include the treatment processing or finishing of materials or parts by the subcontractor at the principal's request.” (UNIDO 1994, cited in Ramaswamy 1999)

Subcontracting has been, in part, a response to changes in the organization of production, through a combination of lower labour costs, increased flexibility, and minimized investment risks (Dangler, 1994). This option is mainly used to cut production costs through reduced fixed labour costs as a result of a shift from direct to indirect forms of employment (Beneria, 1987). Associated with this notion is the suggestion that it is a way of circumventing unions and labour organization. Subcontracting can be a method of transferring labour demands from high wage organized segments of the labour market to low wage-disorganized segments of the labour market (Scott, 1983:244). Subcontracting is
thus becoming the most recognized form of neoliberal dominance in the third world countries, especially India (UNIDO, 1994).

According to Ramaswamy (1999) two factors that have led to increase in subcontracting of production and processes are technology and labour regulation.  
1. **Introduction of New Technology**- better and improved technology was introduced to increase labour productivity but it implied reduction of many kinds of unskilled labour. In particular it also meant a break-up or physical disintegration of the production process that greatly facilitated outsourcing.  
2. **Conditions within labour regulation**- the labour regulation started by the private/corporate sector laid down requirements on worker pay, conditions or safety of workers. Therefore if the employers got workers together in factory or workshop they have to go by labour regulation and apply the welfare measures. In order to avoid it, employers started putting out systems, which are effectively free from all labour regulation and thus chances of self-exploitation by home-based workers are greater.

Hence those activities or parts of production processes that involve more labour use per unit of output are more likely to result in organizational forms dependent upon subcontracting at various levels. The other factors that lie behind the spread of subcontracting practices are (Bose 1996; Nagaraj 1984 and Ramaswamy 1999): 

a) Many high wage companies may find it attractive to outsource certain peripheral activities using low-skill work.  
b) Subcontracting is employed as a mean of reducing the risk are caused by increasing competition, products differentiation and niche markets.  
c) Subcontracting enables a company to take better advantages of division of labour, shed marginal activities and focus on a few core functions.
d) Competitions among subcontractors' keep their supply costs low and enable the parent firm to expand or contract production over a wide range.

e) Large companies use system of subcontracting to test markets for new product lines with a view to reduce entry costs also use subcontracting system.

f) In some cases, subcontracting is so extensive that the firm’s own employees have been reduced to a fraction of its total employment, and the character of the company is transformed from a manufacturing to a trading company.

g) A company can focus exclusively on its core areas and get their work done more effectively, through subcontracting, at the same time ensuring that its subcontractors do not intrude into its own areas of competence.

**Subcontracting in Delhi Garment Factories**

The garment industry is more relevant to the subcontracting of independent local suppliers and non-manufacturing intermediaries (jobbers, buyers, trading companies and retail chain). The parent firm, are export firms having infrastructure to produce in bulk for a foreign buyer or getting a huge order from abroad and passing on a part of the manufacturing order to smaller units which are ready and capable of finishing such orders in limited period of time. The contractors are men who have a large number of workers with them. They are basically middlemen between the workers and the employers. On the other hand these contractors also have a relation of closeness to the employers- the latter take contractor’s men only on the ground that they will not create any problem in the factory, guaranteed by their contract. The work in the garment industry in which subcontracting is high is ironing, washing, embroidery and cutting.

To find out the nature and form of subcontracting in Delhi garment factories, survey was carried out in garment factories in Delhi. The findings of the survey are: In the garment factories in Delhi, there is the system of wearing I-cards by
all workers. The permanent workers wear I-card bearing the name of the factory and the casual worker wears I-card with name of the contractor or subcontractor. In the course of my visit to the factory, I observed that most of the workers had name of the factory thereby indicating that majority of the workers were permanent. By visual observation the strength of workers in most factories appeared to be around 100 to 250. This number however appeared false when I looked at the stock of garment piled in the store. It made me ponder on how such huge stock could be produced by so fewer workers. I felt the number of workers in the factory must more than what was stated by the managers. On my query from the factory owners about the imbalance, the managers responded that:

At time when our production demands are high we have to employ contract/subcontract workers but that is not throughout the year but only during peak seasons.

As per the survey it was found that the main factor for employing subcontract workers was that they are cheaper compared to permanent workers. In words of a factory owner:

In the garment factories there is a great inconsistency in the production order— it changes from time to time. Keeping a force of regular employee turn out to be a burden for the employee as they have to pay the workers even when no work. In order to avoid such situation the employer prefers to sub contract when there is increase in demand.

However the voices of the subcontractors are missing in the study due to several factors. Firstly neither the worker nor the factory owner revealed the name of the contractor or subcontractor. Secondly there was the difficulty of locating them, as they are not frequent visitor to the factory. According to the management subcontractors come only at the time of taking payment.

Thus based on the survey, the following are the main characteristic of subcontract workers:
1. **Migrant Workers** - Most of the workers are migrants, mostly belonging to the same village as the subcontractors for whom they work. The factor of kinship and community ties works here. The contractors get the workers from the villages and are personally known to the family of the workers.

2. **Both skilled and unskilled workers** - subcontract workers are both skilled and unskilled. The skilled workers work as tailor and designer and the unskilled workers are engaged in cutting, packing storing and so on.

3. **Invisibility and unaccountable** - since the subcontract units are not registered it is difficult to give a fixed number of subcontract workers. The factory does not maintain any records of the contract workers. It is maintained individually by each contractor and therefore remains invisible as well as unaccountable.

4. **High percentage of women** - the number of women working as subcontract workers is reasonably higher than men.

5. **Flexible and casual** - The subcontract workers frequently change both their job and their contractors. There is a tendency to switch over from one contractor to another due to the prospect of higher earning.

**Effect of Subcontracting**

Subcontracting as a process has diverse effect on different players in the production network. Below is a description of the effect on manufacturers, subcontractors and workers.

**A. Manufacturers** - Subcontracting is advantageous to manufacturers in a number of ways. The advantages are:

1. **Meet uncertain and fluctuating demands** - Local manufacturers produces orders that are fluctuating. There can also be production delays caused by late arrival of material, or last minute changes in fabric or colour. The fluctuating demand and supply of order has a direct influence on workers' employment. To keep cost of
production at the minimal, the employers prefer to maintain informal workers rather than permanent workers. This is so because in situation when there is no production, the employer would still have to pay the permanent employee.

2. *Free from legal responsibilities-* employers are also absolved from any responsibilities for workers. Moreover subcontracting is sometimes used in response to worker’s demand for improved wages and conditions.

3. *Reduce cost of production-* There is evidence that through subcontracting manufacturers can reduce the costs of labour and overheads by more than half.

**B. Subcontractors-** Subcontracting arrangements are equally advantageous to the subcontractors.

1. *Provides a sense of security-* The subcontractors are generally middlemen between factory owner and workers. The subcontractors generally take workers for employment because they belong to the same village. The subcontractors have a sense of security in bringing workers from their native village. This is so because the workers tend to borrow from the subcontractors, remain indebted to the former and hence unable to leave them. The workers thus enter into a vicious circle and continue being exploited by the subcontractors.

2. *Enable them to earn high profit-* Most of the subcontracting units are located in suburbs and small towns, thus their wage costs are reduced substantially. This is because worker’s wages are much less in rural area than those in a big factory in a metropolis. Subcontractors therefore act as buffers to seasonal fluctuations in demand.

3. *Enable them to evade social, legal and welfare provision-* The bulk of labour legislation deliberately excludes the informal sector. The provisions as per the Indian Factories Act covering working conditions, health and safety, basic amenities like toilets, working hours, prohibition of child labour and night work for women, workplace crèches, and much more does not apply to informal
worker. Similarly the Employees’ State Insurance Act, 1948, providing for accident compensation and sickness and maternity benefits, does not apply to workplaces with less than twenty workers without power.

C. Workers - The manufacturing companies use subcontracting as cost cutting devise. But then what does it mean to the worker? The following are the effect of subcontracting on the workers:

1. Cope with increase pressure of competition- Due to fierce competition among small and informal supplying firms; the larger firms can choose their subcontractors. The formal sector exploits the existing sharp differentials in job security; wage levels and safety standards by subcontracting to smaller and informal firms thereby avoiding the costs of social security and high wages (Reddy 2005:6).

2. Suffers from the downward pressure - Subcontracting has increased the threat to labour conditions through a process of downward pressure. In order to compete, companies at the top of supply chain put pressure on contractors, agents and trading companies for lower-cost goods. Meanwhile, with the increasing number of countries involved in export production, local manufacturers are locked into fierce competition for orders. In order to meet the cost of the buying company and to maximize their profit, middlemen often accept unprofitable deals and put pressure on the workforce in the form of unpaid overtime or subcontracting to small workshops or home workers, the lowest paid workers at the end of the chain (Hale & Shaw 2001:520).

3. Suffers from exploitation- when there is a change in production order, or when orders are declined; the employer find it easy to discontinue with the contract workers without giving them any justification. It is much easier to cut down manpower by throwing out casual workers than removing permanent employees. The permanent employee have to be given prior notice as well as monetary
compensations before being removed from job whereas there is no such obligations in case of contract workers. In most cases the employers take contract workers when the order is high and throws them out when not required. The evidence of increase in subcontracting in Indian industry with growth of export-oriented manufacturing justifies the above explanation of the use of casual workers to meet excess production demands.

**Production through Home-Based Workers**

Home-based workers are found in both the developing countries and in the developed countries. A recent study by the ILO (2002a), revealed that in seven countries, home based workers represented between 10 to 25 per cent of the non-agricultural workforce: Guatemala (26 per cent), India (16 per cent), Kenya (15 per cent), Mexico (17 per cent), Philippines (14 per cent), Tunisia (11 per cent), and Venezuela (18 per cent) 2. Wherever they are found, and regardless of the industry, the vast majority of home-based workers are women. 90% of bide workers (cigarette rollers) in India are women. 90% of home workers in Europe (Germany, Greece, Ireland, Italy and the Netherlands) are women. 85% of Home-based workers in the clothing and footwear industries in Argentina are women. 80% of the 50 million home-based workers in South Asia are women.

The ILO Convention (1996) defines modern form of home-based work as ‘work carried out by a person:

a) In his or her home or in other premises of his her own choice, other than the workplace of the employer;

b) For remuneration which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs used…’ (ILO 1996).
Thus we can refer to home-based workers as those persons who are not employed formally but work either from their own home or other premises, which has nothing to do with the person for whom goods are produced. An example would be of women stitching garments in their own homes for contractors or subcontractors who then send it to exporter in Delhi. Home based work can be done either independently, that is, make a economic goods like statues/sculpture without supervision and sell them in the market or either under supervision of contractor who set the rate and quality of the goods to be produced. In the garment export sectors it is the second type that is more relevant. A contractor gets orders from the owners of export factory and gets it done from home-workers. It is the contractor who is responsible for payment. Payment is generally piece-rated and since there is no clearly established employer-employee relationship, the amount meant for the home worker is siphoned off by contractors and subcontractors who act as middlemen between the factory owner and the worker.

**Who Are the Home Workers: -**

Two kinds of home workers can be identified in the garment factories:

1. *Workers who have difficulty in entering labour markets:* - Home-based workers may be those who have difficulty in entering the regular labour market due to legal constraints (age limits, especially for children who are below 14 years of age), discrimination, or a lack of information. This category would include women, migrants, children, low-skilled individuals, and older workers. They often find difficulty in finding regular employment as in most cases employers often assume that these groups are less skilled due to little job experience and low education levels.

2. *Workers who are incapable of working outside their homes:* - home-based workers are primarily individuals who are unable or unwilling to work outside
their homes. Generally, workers who are confined to home fall into three general categories: women (or men, to a lesser extent) with children or other household responsibilities that require them to be near home throughout the day, those who have physical or mental conditions that limit their ability to travel to a worksite, and individuals who have difficulty entering the labour force due to legal constraints, discrimination, or information asymmetries.

According to NSSO 55th Round Employment Survey (1999-2000), there are 3.17 million home-based workers in Delhi which constitute 70% of Delhi's total workforce. Moreover the percentage of women and children working as home-based workers is higher than men. According to ILO (1995) study, more than half of the home-based workforce across the world is female; estimates range from 64 percent to over 90 percent, compared to 40 percent of the non home-based workforce. In Delhi garment factories, the following trend was evident: Most workers were in the age group of 20-30 (around 80% of total workers surveyed), around 12% in 30-40 age group and remaining 8% above 50 years.

Factors for doing Home-Based Work

1. *High rate of unemployment in the society*- the rate of unemployment is high and more so in urban areas having a high population of migrants. A high percentage of men and women come to metropolitan cities in search of jobs. Having low educational qualification and lack of technical skills they fail to get proper full time work. Thus the only option left is to take up part time or casual work. For most of them, the main reason of taking up home-based work is to do something rather than sit idle.

2. *Flexible work hours* - Many workers prefer home-based work as it saves travelling time and enables them to do multiple tasks at the same time. This is often seen as a measure to increase monthly income. The workers believe that
doing two or three task at the same time will enable them to earn more than they can by working at one place. For the women workers it has an added advantage as they can carry their dual responsibility more easily. Most women workers report that flexible work hours and the home as the work site allow them to be more efficient in their home and workplace than what they would have been had they worked in a remote production location.

Most literature argues that with changing global conditions, employers stress on reorganizing production through sub-contracted/home-based piece-rate work. Within the framework of SCA, this is seen as an attempt to evade labour laws that lays down terms and condition for permanent regular employees. Most home-based work are sub-contracted to women and since women work from the premise of home, most of their work goes unaccounted and unnoticed.

However such arrangements are more advantageous to the employers than to the workers. When it comes to the workers, they are dependent on their employers but the latter carries no responsibility which would be due to workers with formal employment status, such as, safe and hazard free work environment, social security, minimum wage or maternity or casual leave. The workers are used only as ‘reserve army of labour’ –required only when production demand exceed labour supply. Further more since they have low market access and lack of contact with other workers, there is no sense of collective bargaining and unionization. According to Mortar the advantage of home-based work to the employers are as follows:

This production form is attractive for employers because it allows a great deal of flexibility in labour use – not having to do anything with workers when demand falls and absorbing them from a reserved pool when demand goes up. It distributes the

34 The phrase ‘reserve army of labour’ was used by Karl Marx to refer to those workers who perform odd jobs while waiting to be formally employed (Marx 1906). It refers to unemployed group that can be exploited by the TNCs by using them as when needed.
burden of fixed capital among different operational units. It is thus a cost-reducing strategy adopted by the employers rather than a choice incurred by home workers, especially women home workers, as is sometimes argued (Mortar 2003).

Thus home-based work is a strategy adopted by the employers to suit their needs rather than a choice available to the workers. The factory managers who consider home-based workers as ideal for their factories appropriate this by giving the following viewpoint. According to a factory manager:

Home based workers are preferred because it is of less tension to us, we don’t have to see to their social security benefits—it is the responsibility of their contractors through whom they get work. Then there is no tension of unions on the workplace—firstly because there are not are employees and secondly they cannot organize themselves in one group.

The employers prefer to use the strategy of getting work done though home-based workers because of two reasons:

1. Cutting down labour cost—more casual workers means less number of permanent and regular employees thereby meaning fewer wages. The strategies on the part of employers are obviously meant to divide the workforce into as many fragments as possible: men/women, factory workers/home-based workers, regular/casuals—differences between all these categories are deliberately emphasized and each group is treated differently. The purpose of this exercise is to keep labour cost down. Each group of worker is meant to feel weaker by isolating it from other workers and also by putting limitations on the opportunities of work available to them. This can also drive down the supply price of its labour. Each group is then paid at rates as near its supply price as possible, so that the overall labour costs can be minimized (Banerjee 1991:20).

---

35 In the garment factories the permanent employees are paid wages that is monthly remuneration whereas the casual/contract workers are paid piece rate, that is amount in terms of the number of work done and the rate is fixed by the employer and the contractor.
2. Avoiding compliance to labour law - it allows employer/manufacturers to evade several provision of providing welfare facilities as per labour laws and code of conducts like maternity leave, crèche, transport arrangement and so on export profitability.

My interviews with garment exporters in Delhi revealed that those manufacturers who have big orders from ‘clean’ retailers (those who take recourse to stringent means of getting their factories audited and are compliant to code of conduct) have stopped hiring married women labourers so that they do not have to provide crèche services, or make provisions for toilets. Instead they have started routing their production through home workers. The following section narrates findings from the field in support of the above arguments made:

Query: - Do you get the right amount of money for the work you do?
Respondent (worker): - humein zo bhi milta hain thik hi hain ....hum char/panch auryein saath kaam karte hain ....aur bhir dusre aurat bhi kaam kartein hain....hum unse baatein kar ke pata karate hain...kai bar to tekdhar haatho-haath paisa de deta hain par kai baar 10/15 din baad deta hai...jina kaam karte hain utna paisa to miljata hai...kai baar kaam mein koi kami ke karan paisa kaatjaata hai...factory mein kaam karne wali mahilao se tu kam paisa milte hai, tu wo subhe se saam kaam bhi to karti hain, waise ghar bathein to hum sahin kama leta hain aur bhir humara gha rale bhi khus hain.

(what ever we get is okay, we work in group of 4/5 women and there are other women in the neighborhood who also do same work...we talk to them and find out what they are getting...often the contractor pay us immediately but sometime they pay only after 10/15 days....the amount of work we do we get the money but at times our money is deducted because of defective work...we get les money than those women who work in the factory but then they have to work from morning to evening and here whatever we earn sitting at home is enough and then our family members are also happy).

Query: Does the factory provision of welfare facilities to the workers. What are those facilities name them?
Respondent (Manager) - Yes the factory provides various welfare facilities like provident fund, ESI and gratuity. We also have the facility of canteen where workers can take food at subsidized rate. We organize free health camp where workers can consult doctors.
Query: What about the provision of maternity benefits, crèche facilities to woman workers?

Respondent (Manager): We do not have more than 30 women workers\textsuperscript{36} in our factory so there is no need for these provisions in our factory.

The above narratives by women workers themselves suggest the specific nature of women employment in the garment factories. It reflects on the need for further examination of women employment in garment factories and hence the next section goes on for an elaborate analysis of women workers in the garment factories in Delhi.

V. Feminization of Labour

The new international division of labour recognized the crucial role of women workers in the international production activity whether as wage labour in small factories or as subcontract and home workers. With increasing reliance on women in the export-oriented manufacturing, the term feminization of labour was coined (Nash & Fernandez-Kelly 1983). The process started in the eighties where the share of female employment into total employment exceeded 70 percent (Ward 1990). In developing countries, it was more a part of the general increase in the size of the workforce following the overall expansion of the economy. The industries connected with this process are electronics or light consumer goods like garments, sports goods, leatherwear etc (Froebel et.al 1980, Mies 1986). In India it was the outcome of New Economic Policy and SAP adopted in the 1990s (Ahmed, 1994; Shah et.al 1994; Ghosh 1999) that resulted in feminization of labour.

\textsuperscript{36} As per Indian Factories Act 1948, the provision of maternity benefits and crèche facilities applies only when the factory has more than 30 women workers else it is not mandatory. For details on the Indian Factories ACT 1948, refer to Annexure I
Conceptualizing Feminization of labour

The phrase 'feminization of Labour', as used in most literature on women and work, refers to an increase in female employment in wage-based work for both formal and informal sector of developing countries (World Survey on the Role of Women in Development 1999 cited in Gyebi 2001). Guy Standing has showed that since the mid-sixties there has been a widespread trend towards a higher share of women workers in the labour force of both developed and developing countries.

The Platform of Action of the Fourth World Conference on Women, held in Beijing 1995\(^{37}\), recognized that, in any regions, women's participation in remunerated work had increased in both the formal and the informal labour market. Women form the bulk of the cheap and flexible labour force which sought on the global labour market (Held 1995). The percentage of women has increased most drastically in the textile and clothing sector. This concentration of women workers in the clothing sector is in both developed countries as well as in developing countries. Thus labour practices within the garment industry have to be examined in the context of women's rising participation rates. At the global level, it imply shift of woman from agricultural to industrial sector but at the same time, it leads to greater exploitation of workers.

Factors for Feminization of Labour: The various factors considered responsible for feminization of labour are: -

1. Growth of Informal Sector - Most widespread factor for the rise of feminization of labour has been the growth of informal sector. Informalization has

\(^{37}\)The United Nations convened the Fourth World Conference on Women on September 4-15, 1995 in Beijing, China. The objective of the conference was to prepare a Platform for Action that aimed at achieving greater equality and opportunity for women. For further reference refer to http://www.un.org/womenwatch/daw/beijing/platform/plat1.htm
gone hand in hand with Feminization of labour. According to A.M Scott (1994), the expansion and growth of informal sector has attracted more women than men. Looking at the high intensity of women in the unorganized sector, he called the informal sector as the ‘female sector’. There is a direct link between feminization of labour and informalization of labour. The increase in women’s employment has been related to the growth of casualization (Standing 1999). According to NASSO data, self-employed and casual workers-a category that included home-based workers made up three-fourth of urban female work force (Mukhopadhya 1997:485). Another study on the urban labour market in India shows that casual employment has risen among both women and men in urban areas. The study states;

The casualization process has been triggered off by the deregulation measure of the 1990s in India. On the whole, we observe patterns of change favouring casualization and feminization of the urban workforce following the deregulation and economic reforms in the eighties and early nineties (Mitra 2001).

In a study in a Coimbatore garment factory, where female workforce is found in greater number, Baud (1987) examines the effect of changing technologies and organizational forms in the textile industry and seeks to identify the causes for casualization of women labour. She further looks at how employers recruit women on casual basis rather than as permanent employees to meet uncertain and excess demand in production.

2. Growth of export oriented economy- The thrust of export-oriented strategy adopted in various newly industrializing countries is on taking advantage of employing low-wage female labour. In the 1990s, with the emergence of export processing zones attention was drawn to the entry of women into factory setup (Nash & Fernandez-Kelly 1983, Kung 1983, Ward, 1990). In the case of India, the data provided by the World Development Report of 1996, Indian exports rose by the 39% during the period (1990-94). It has been pointed by many (Nash &
Fernandez-Kelly 1983, Kung 1983, Ward, 1990\textsuperscript{38}) that production for exports industries being more labour intensive calls for an increase in home-based subcontracted activities thereby attracting more women than men.

2.\textit{Management of labour cost}- The overall cost cutting strategy adopted by TNCs is to opt for production sites with lowest labour cost. Women and children in the developing countries were the cheapest form of labour available to them. This has been discussed in earlier section on new international division of labour\textsuperscript{39}.

3.\textit{Policy of market de-regulation}- In 1991, India adopted ‘The New Economic Policy’ (NEP) in order to stabilize and restructure its growing deficit and declining economic growth rate. To tackle the heavy financial crises, the state began to withdraw from public expenditure on critical areas such as health, education, housing, rural development etc. There was thus reduction of funds for important schemes, announced by the state, for women. This include reduced allocation in the annual budget for Rashtriya Mahila Kosh, (67\% reduction) Mahilla Samridhi Yojana (24\% reduction) and Balika Samridhi yojana (7\% reduction) (Menon-Sen & Prabhu 2001:1165).

As the state withdraws from providing social security, the onus for fulfilling basic welfare needs is on the family, especially on women. In order to increase their family income women are forced to enter workforce in whatever form work is available. It could be as casual, part-time, temporary or home based. The urge to take up employment is so strong that they tend to ignore the welfare measure that should be provided to them. Such women do find easy entry in the newly


\textsuperscript{39} Refer to page 46
emerging sectors of export manufacturing. However they get employment only at a lower wage rate compared to men. This trend is highly prevalent in the garment-manufacturing factories (Standing 1989).

Consequences of Feminization of Labour
The process of feminization of labour had far reaching impact on the workers. Some of these consequences are:

1. **Deterioration of working condition**- The increase in women workers, as casual and informal, is accompanied with deterioration of working condition, where there is no guarantee of employment, wages are low, and state labour regulations are weak and ineffective. Many saw the deterioration of working condition mainly due to the weakening of labour regulations by the state. According to Guy Standing:

   It is no coincidence that this shifting pattern has been closely related to an erosion of labour regulations. There has been *explicit* deregulation, whereby formal regulations have been eroded or abandoned by legislative means and *implicit* regulations; whereby remaining regulations have been made less effective through inadequate implementation or systematic bypassing (1989:1077)

In the case of India this has been documented in many research, for example it has been observed by India's Commission on Self-employed Women and Women in Informal Sector,

The areas of exploitation (in the informal sector) are high resulting in long-hours, unsatisfactory work conditions and occupational hazards. The organized sector takes advantage of this vulnerable position of the labour force in the unorganized sector. Large industries now find it advantageous to decentralize production units to small-unregistered units. (Government of India 1988:9)

Therefore the feminization of labour is in the informal and unorganized sector where working conditions has been deteriorating further.

2. **Marginalization of labour**- in the garment factories it can be observed that marginalization of women occurs in two forms. *Firstly* the number of women is
very low and secondly they are generally doing unskilled work. Whatever percentages of women are found they are mostly at the lower level as unskilled workers for example as thread cutters, packers and so on. Very few women are found as tailors or other skilled works. There is complete absence of women at the supervisory level (Ref to Table 4).

**Table 4: Nature of Work and Gender-wise Distribution**

<table>
<thead>
<tr>
<th>WORK</th>
<th>WOMEN</th>
<th>MEN</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buttoning</td>
<td>17</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>Checking</td>
<td>12</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Thread-cutting</td>
<td>18</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Packing</td>
<td>7</td>
<td>27</td>
<td>34</td>
</tr>
<tr>
<td>Pressing</td>
<td>5</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>Tailoring</td>
<td>3</td>
<td>32</td>
<td>35</td>
</tr>
</tbody>
</table>

Further while talking to women workers with regards to the number of years they were working in garment factories and promotion received in terms of experience, the following responses were received: -

**Respondent 1** - Mein tu che ya saat saal se factory mein kaam karihin huin. Mera umar lagbhag 30 saal ka hai. Mere teen bachein hain, ek aightybe mein padta hai, ladki abhi aight, saal ki hai ...school nahi jaati hai, ghar pe rahti hai apne chote bhai ki dekh bhal karne ke liya...jaab chota baada ho jayega to ladki ko bhui saath school bhejgin...Itne saal se mein ek hi kaam kar rahi huin...packing kaa, bhich mein maine kuuch silai binai ka kaam shik that aise hi factory mein paar manager humein tailor kaa kaam nahn deta hai...kahta hai humein training nahn haina galti ho jayagi tu nuksaan kaun utagaya.

(I am working in this factory for the past six or seven years. I am around 30 years old. I have three children- eldest boy is studying in class eight, next daughter is eight year old...she does not go to school and stays in the house to look after youngest son(I am working in this factory for the past six or seven years. I am around 30 years old. I have three children- eldest boy is studying in class eight, next daughter is eight year old...she does not go to school and stays in the house to look after youngest son ...when the little one goes old and starts going to school then she will also go to school...for the past so many years I have been doing the same job...I am in the

---

40 Source: based on field work, statistics are approximate and not to the point
packing department... sometime back I learnt stitching/tailoring in the factory only but then the manager does not give me any job of tailoring... he says that we have not got any training and if mistakes are done then who will pay for the damage...)

Respondent 2 - Humara department mein sirbh ladki kaam karte hai... jaida nahin sirbh 6/7... hum sabh ladki ek kamre mein cutting ka kaam kartein hain... bakki group jo ki ladko ka hai ... saja tailors unmein se hi koi ek group leader hota hai... toilet jaanein ke liya apne group mein se puchna parta hai par hum ladki ke group leader humara supervisor hai... woye dusre kamra mein batata hai... jab humein toilet jaana ho to ja kar hum use puchye hain... Humein accha nahi lagta hai... Kai baar to mein lunch tak toilet jaati nahin huin... is ke bare mein hum manager se bhi baat kar chukein hain ki group leader humein se kisi ek ladki ko bana de par woye suntu nahin hai aur phir baar baar ispar baat karna accha nahi lagta...

(In our department there are only six or seven girls. We sit separately in one room and do cutting work..... the other groups is that of tailors which consist only of boy, they ... if anyone wants to go to the toilet they have to ask the group leader only but our group leader is the supervisor who is a male and sits in the other room... If we girl want to go to toilet, we have to go to him and ask his permission, we don’t like asking him so we avoid going to the toilet till lunch time... we have also talked to the manager regarding this problem and asked him that the group leader should be from among us only but he does not listen and then it does look nice to talk about it repeatedly...).

These responses support the data on the extent of marginalization of women in Delhi garment factories.

3. Social and economic Stratification: - in these garment factories there exists a very clear-cut social and economic stratification among women workers. All women working as wage/contract workers belong to the middle and lower middle class family. Most of them are migrants from Bihar, Uttar Pradesh and West Bengal. They have mostly accompanied their husband to Delhi and had taken up work in garment factories. They lack technical skills and education and therefore work as unskilled workers. Girls having achieved secondary level education are also found in the garment factories as semi-skilled workers. These girls are mostly those who are bought up in Delhi and have their parental home in and around Delhi. This category of workers is both married and unmarried. Being educated
they mostly work as salaried employee in the position of merchandisers, fashion designer, receptionist and private secretary. In the present study no interview has been conducted with the semi-skilled women workers as they are outside the purview of the present study. The study concentrates on unskilled, casual and contract workers per se.

4. Discrimination of Women Workers - According to ILO study (1999), during the 1990s, there were approximately 30 million jobs in the textile, clothing and footwear industries. Vast majority (over 80%) of the lowest wage production workers were women (mostly working from home) receiving 20% to 30% lower wages than what men received. This wage differentiation continues even today, though the legal set up demands equal remuneration, differentiation in the wage earning arises basically due to two important factors. Firstly women are found in the low unskilled job and secondly the total hours of work in the factory are less for women.

In the garment factories discrimination can be both of gender and non-gendered types. Gendered type of discrimination occurs in the following forms:

i. Women workers are unskilled and at lower levels- Most of the women working in garment factories are employed at lower level of unskilled workers and are generally involved in thread cutting, packaging and cleaning. Very few women are found employed at managerial level or at level requiring technical works. This is not something unique in the garment factories but something found in every industry. It has often been claimed that as a result of ‘labour market discrimination’, women are found to be working in the lowest categories in all industrial activities. In the Indian context, studies have pointed out women’ domination in low skilled jobs at the garment- manufacturing units of Tripura in Tamil Nadu (Swaminathan & Jeyarajan 1999).
ii. *Differential wage earning of women workers* - the earnings of women are less than half of men, with those of home-based workers the lowest (Shramshakti: 30). Baud (op.cit) highlights the gender aspect of production process within the garment factory and observes that though men and women work on the same job, earning of women workers are less compared to her male counterpart. This is so because the number of days of work of women is less than men due to their domestic duties. This is evident from literature looking at the nature of feminization of labour in India: -

Women workers not only suffer from casualization but also severe visible underemployment. The activity pattern of Indian economy is characterized typically by its seasonality. Seasonality of work results in underutilization of labour time. Statistics indicate that the proportion of usually employed person measured by person-days utilized for work of females was substantially lower than the males and was specifically lower in rural areas than in urban areas. Thus it is established that visible underemployment is starker among females and that too among rural females. (Bhattacharya & Sakthivel 2002: 18)

Along with gendered discrimination there exists **non-gendered discrimination** that women are not conscious of at time of work. The following forms are found in the garment factories:

i. *Appointing of relatives as departmental head* - As mentioned earlier there is absence of women at supervisor level but in few exceptional cases one or two women are found to occupy high post as manager or directors of particular department. This is because of her relation as sister/wife or other with the owner of the factory. In the course of visit to garment factories, I observed that around seven women were heads of department by virtue of their relation with the owner of the factory.

ii. *Appointing people with criminal background as supervisors*\(^{41}\) - these supervisors are mainly men with strong physical built and having in some time of their life committed a criminal offence. This is done to create fear among

\(^{41}\) As told by an auditor in an interview and supported by evidence from the field.
workers so that they do not revolt against their employees. During the filed visit
to a factory in Gurgaon, I happened to talk to the security guard standing outside
the cutting section of the factory. He told me that he was working in the factory
for the past five years, earlier to which he was in jail on charge of attempt to
murder. Before being sentenced for seven years, he was working in a private
bank but lost his job as a result of the offence. After his imprisonment he was
able to get a job in the garment factory.

5. Invisibility of Women workers – women workers in the garment factories
remain invisible and out of count. Statistics indicate that employment of women
in garment manufacturing units is lowest in India compared to other Asian
countries (Ref to Table 5).

<table>
<thead>
<tr>
<th>Countries</th>
<th>% of women workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>90</td>
</tr>
<tr>
<td>Cambodia</td>
<td>90</td>
</tr>
<tr>
<td>China</td>
<td>63</td>
</tr>
<tr>
<td>India</td>
<td>11</td>
</tr>
<tr>
<td>Philippines</td>
<td>76</td>
</tr>
<tr>
<td>Srilanka</td>
<td>87</td>
</tr>
</tbody>
</table>

Thus what ever be the number of women in the garment factories they are not
evident in terms of statistics and data on employment and thus remain invisible.
Jhabvala and Kanbur (2002) have outlined three factors that make for invisibility
of women in Indian garment factories:

a) Highly segmented garment labour market- the garment factories in India is
fast growing and changing everyday, it is difficult to capture official statistics.

b) Most women workers work not from the factory but from their residence.

42 Source: -UNCTAD (2004)
c) Workers work on piece rate without a written contract- no official data kept by the employers of the home-based and contract workers.

A lot of literature on feminization of labour refers to an increase of women workers in the garment factories located in the export processing zones. However, study from India export processing zones does not indicate this trend, for example, study of women employment in Noida EPZ shows that percentage of women employment has been declining since 1991 (refer to Table 6).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kandla EPZ</td>
<td>47</td>
<td>31</td>
<td>36</td>
</tr>
<tr>
<td>Santa Cruz EPZ</td>
<td>48</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Electronic EPZ</td>
<td>16</td>
<td>25</td>
<td>24</td>
</tr>
<tr>
<td>NOIDA EPZ</td>
<td>63</td>
<td>58</td>
<td>49</td>
</tr>
<tr>
<td>Chennai EPZ</td>
<td>36</td>
<td>37</td>
<td>39</td>
</tr>
<tr>
<td>Falta EPZ</td>
<td>-</td>
<td>-</td>
<td>34</td>
</tr>
<tr>
<td>Vishakapatnam</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>EPZ</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Kerela (M)EPZ</td>
<td>60</td>
<td>70</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>42</td>
<td>36</td>
</tr>
</tbody>
</table>


This has been seen by many as ending the subordinate position of women in the society while others have criticized this optimistic orthodoxy and considered the use of female labour only as a factor to cut down cost. After two decades of...

---

working in the factory, women continue to work at a lower level. This is under the pretext that it required 'nimble fingers'. However after a few years the term ‘defeminization’ used to highlight the decline in number of women workers in the factory. In the case of India, Jayati Ghosh has argued that FOL was a short-lived phenomenon and after a few years the number of women in employment declined.

...that the process of feminization of work began to decelerate or even to reverse, even before the crises of 1997. Thus female shares of manufacturing employment began to decline in most of these countries by 1994 or even earlier, as increased employment of women led to upward pressure on their wage reducing the gender gap in wages, and also involved louder social demands for better working condition for women workers. These pressures actually made them less attractive for employers and the impetus to feminization became less marked (Ghosh 2001)

It is evident from the above study, in the case of garment factories in Delhi and surroundings areas that feminization of labour has been a temporary phenomena limited to the informal and unorganized sectors. The strategy has been adopted by the employers in employing women in these sectors to meet profit margin by providing low wage and low work status to women workers. However with the introduction of labour standards and compliance stressing on social welfare benefits for all workers, women workers no longer remained the choice of employers.

The argument here is that numbers of women in the factories should not be of importance. Rather what is of concern in the present study is the examination of the linkages between feminization and the process of globalization. And also understanding of how these linkages affected the women's position both at factory and at home.

The NIDL approach was relevant in understanding global order only till late 1980s and early 1990s. Since 1991, with the state losing its economic sovereignty, NIDL appeared less fruitful in analyzing the capitalist system. The integration of
developing countries into the global system demanded an approach that could link states in a production network. In this perspective the Global Value Chain analysis was developed to provide explanation to the move away from states as unit of analysis and allowing space for peripheral regions to serve as multiple roles in the global division of labour (Joshi 2002).

VI. Global Value Chain /Production Network

It has been argued that a sizeable segment of global trade is conducted through multinational enterprises or through systems of governance that link firms together in a variety of sourcing and contracting arrangements, i.e. in Global Value Chains. A general definition of Global Value Chain is as follows:

The value chain describes the full range of activities that are required to bring a product from its conception to its end use and beyond. This includes activities such as design, production, marketing, distribution and support to the final consumer. Value chain activities are generally spread across geographic spaces and hence the term ‘global value chain’.

The global supply chains stretch from the supermarket shelves and clothes rails in the world’s major shopping centres to garment factories of South Asia and China. Wal-Mart, the world’s biggest retailer has driven this model, buying products from 65,000 suppliers worldwide and selling to over 138 million consumers every week through 1300 stores located in 10 countries (OXFAM : 2004). Global Supply Chains link individual workers and enterprises, often operating under both formal and informal arrangements, spread across several countries to one another within the world economy. These commodity chains can be local, national, regional or global, but with increased globalization, they are becoming increasing global and more difficult to map. The chain consists of garment factories, including their domestic and overseas sub-contractors; the export channel established by trade intermediaries; and marketing networks at the retail level. Each of these segments in the chain encompasses a variety of differences in terms of factors such as
geographical location, labour skills and conditions, technology and the scale and type of enterprises. These characteristics also affect the distribution of power and profits throughout the commodity chain (Gereffi 2002).

**Types of supply chain**

According to Gereffi & Korzeniewicz (1994) there are two types of commodity chain: -

1. *Producer-driven chains* - are those in which large, usually, transnational, manufacturers play a key role in coordinating production networks. This is characteristics of capital and technology intensives industries such as automobiles, aircraft, computers and electronic sectors) in which large manufacturers govern the process. Powerful buyers or producers determine every link in the chain - from production of inputs to the sale of final products - which can reach all over the world (Gereffi, 1994). The Producer-Driven Commodity Chain can be illustrated in Figure 1

![Producer-Driven Commodity Chain](image)

*Figure 1: Producer Driven Commodity Chain*

iii. *Buyer-driven chains* - In the buyer-driven chains, the product parameters (design, technology, and so on) are set by retailers or brand-name firms whose main concern is the design and marketing of the product. The process parameters, or condition under which goods are to be produced, like labour and environmental
standards, are often set by external bodies. The buyer driven chain is illustrated in figure 2.

In the producer driven chain the marketers and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in the Third world countries (e.g. in the footwear and garment sectors).

![Figure 2: Buyer-driven chain](image)

Thus the pivotal players are the retailers who govern production and also set forth product parameters. Whereas in the buyer driven chain the process parameters (condition under which goods are to be produced-labour and environmental standards) are often set by external agencies like NGOs & government.

Government agencies and international organization regulate product design and manufacture, not only with a view to consumer safety but also to create transparent markets. Standards are also set by non-legal agreements (code of conduct, etc) and by a variety of unofficial agencies such as NGOs that pressure for compliance with labour and environmental standards. Firms that fit the buyer-driven model include retailers like Wal-Mart, Sears, Roebuck and JC Penny, Nike
& Reebok and fashion-oriented apparel companies like Liz Claiborne and Gap Inc\(^44\). The later generally design and/or market—but do not make—the branded products they order. They are manufacturers without factories” that separate the physical production of goods from the design and marketing stages of the production process. They are characterized by highly competitive and globally decentralized factory system. Thus major retailers and brands concentrate only on design, marketing, and subcontract manufacturing activities. As a result, multinational firms subcontract to local firms, which subcontract to middlemen, which further subcontract to petty commodity producers and home workers (Dangler, 1994).

**Key players/actors in the production network**—The key players in the global supply chain are:

1. **Retailers**—Retailers are primarily engaged in the distribution, merchandising, and sale of garments to consumers. Apparel retailers include department stores, mass merchandisers, specialty stores, national chains, discount and off-price stores, outlets, and mail-order companies. A relatively new development is the rise of electronic forms of retailing such as interactive TV and on-line shopping services. Some retailers who sell their own private labels go beyond their traditional role as distributors and become directly involved in the design and sourcing of garments from manufacturers and contractors.

In the past, retailers were the manufacturers’ main customers but now they are increasingly becoming their competitors. As consumers demand better value, retailers have increasingly turned to imports. In the 1980s many retailers began to compete directly with the national brand names of producers and marketers by

\(^{44}\) It will be seen in chapter 4, that these are some of the buying house/retailers that have adopted SCA process.
expanding their sourcing of "private label" (or store-brand) merchandise. This is not only sold cheaper than the national brands but is also more profitable to the retailers since they eliminate some of the middlemen in the chain (Gereffi 2002).

Today global retailers have become the most powerful companies in the global economy because they have the ability to shape global supply chains, global sourcing networks, and make decisions about where products are made around the world, at what price and how fast things have to be moved.

2. Branded-Marketers - One of the most notable features of buyer-driven chains is the creation since the mid 1970s of prominent marketers whose brands are extremely well known, but they carry no production whatsoever. These "manufacturers without factories" include Liz Claiborne, Nike & Reebok, who literally were “born global” since their sourcing has always been done overseas. As pioneers in global sourcing branded marketers were instrumental in providing overseas suppliers with the knowledge that later allowed them to upgrade their position in the apparel chain. In order to deal with the influx of new competition, branded marketers have adopted several strategic responses that will alter their position in the global production network. And one of the most important strategies is the adoption of vendor certification system to improve performance.

3. Mid Chain Suppliers- The mid chain suppliers includes merchandisers and buying agents. Merchandisers generally design and market clothing, but contract the actual production to manufacturers. Buying agents locate, qualify and inspect foreign suppliers/producers of garments, negotiate with suppliers/producers, and often monitor production for quality control and compliance with other standards.

4. Producers and Employers- They are owners of trading companies or import/export firms, those that buy goods and then sell them on to foreign buyers.

5. Subcontractors- They are actually middlemen between the buyers, the manufacturers and workers. Just above the workers in the value chain. Principle
employer in order to reduce transaction costs and to manage the network of home workers uses subcontractors. These middlemen are completely unknown to the parent companies, but for many workers they are the only contact they have with the industry for which they work.

6. Workers — The workers are from both formal and informal sectors including casual, temporary and home workers. They occupy the lowest rung in the chain and suffer most from hardship. Pressures build from intense competition traverse top-bottom to the workers. Middlemen who have to meet the cost demands of the buying company maximize their own profits by squeezing manufacturers. Rather than turn down an order local manufacturers accept unprofitable deals and make them work by increasing pressure on their own workforce e.g. through forced or unpaid overtime and by subcontracting to small workshops and to home workers, the lowest paid workers at the end of the chain.

The large merchandizing chains can afford to squeeze hard" and "[turned] up the pressure on their contractors to make clothes with more fashion seasons, faster turnaround times, lower profit margins, greater uncertainty about future orders and frequently worse conditions for workers" (Collins 2003: 40)

Below is an illustration of the key players in the GVC: -

**Figure 3: Key players in Supply chain**

```
Consumer
  ↓
Retailer/brand owners
  ↓
Mid chain suppliers
  ↓
Producers/employees
  ↓
Subcontractor
  ↓
Factory workers
  ↓
Home workers
```
Thus it is evident that in the beginning of the chain are the retailers and brand manufacturers and at the end is the factory worker. In the process global production network such complex supply chain has developed that it involves no direct relation between ownership and producers. The network is so complex that often the main producer does not know the workers who produce for them, to extent even the social security and welfare of these workers no longer remains the responsibility of the producers. And vice a versa the workers often do not know the brand/ label they are creating.

**Significance of global value chain analysis**

Global Value Chain analysis helps us look at the inter-firm relationships and institutional arrangements in which production takes place. The inter-firm relation also reflects on the power relations between different actors in the chain. In general term:

GVC analysis focuses on ‘vertical relationship’ between buyers & suppliers & the movement of a good or service from producer to consumer. This entails an analysis centred on flows of material resources finance, knowledge and information between buyers and suppliers. This process of co-ordination and competition among actors operating in the same function or segment of a particular market are given less attention (Ponte & Gibbon 2005)

The global value chain (GVC) approach also provides a way of analyzing the linkages between labour and global buyers. Global buyers have a dominant role in the governance of global value chains, which allows them to implement codes of conduct as a condition of supply.

The growth of global value chain, in which Northern buyers control web of suppliers in the south has led to calls for them to take responsibility not only for aspects such as quality and delivery dates but also for the working conditions and environmental impacts (Jenkins, Pearson & Seyfang 2002:2).

The impact is the greatest on labour, an important element in the chain but is often overlooked in GVC analysis. Only in recent times labour has occupied an important place in analysis, wherein the focus is to understand the transmission of
codes to workers. Code of conducts are created at the top and implemented at the bottom. As they travel down, lot many things happen, one of which is violations of workers right. Therefore it is important to understand the entire network and the way it functions.

Besides locating the workers in the supply chain it is also essential to look beyond the chain, outside the factory. Taking the chain down beyond the local factory into home based work reveals other complex layers of middlemen. They typically work for agents or local manufacturers and are responsible for delivering raw materials, collecting finished goods and controlling quality. It is important to locate the role of these middlemen, as it is they who in return decide the condition of workers - contract and home based. In the earlier section we have discussed how the condition of home based and contractual labour is more precarious than the factory worker as they remain invisible.

**Workers in the global supply chain**

The analysis of the supply chain is relevant in terms of the value added by each agent in the chain. It is the value added that make supply chain important in the period of globalization. The amount of value added created by labour at each phase of production (beyond labour cost) determines the amount available for profit at the end of the chain. Lowering costs at various phase of production is an important strategy for business. The cost can be reduced through technology and location. Technology remains the same, only location changes therefore buyers and retailers tend to shift location of production to low wage countries. Within this we see that casualization, feminization and informalization are all cost cutting strategies (Crook e.t.l 1992:73).

The workers have become a cog in the wheel of the global supply chain. The primary consideration of retailers and buyers in investing in India is price, quality
and low cost of production. The workers are the worst off, who easily find entry into the export garment industry. However having entered they are trapped in vicious cycle of low wages which never increase, that leads to a subsistence living leading to poor quality of health due to which they work for some months and in other months does no work.

The relevance of locating the workers in the global supply chain lays in the ways which is leading to expansion of capital by appropriation of surplus value. Under capitalism surplus value is extracted from the workers through the difference in the value of the cost of reproducing the same workers labour power. The latter cost to the capitalist is the wage; the former gain is the value of the commodity or commodities produced by the worker. Surplus value is therefore produced in the process of production (Kiely 2005: 29).

Surplus value in the global supply chain is extracted in two ways: -

i. Through an increase in the intensity of work and longer working hours, without corresponding increase in wage.

ii. Through an investment in new technology and a resultant increase in labour productivity that leads to a reduction in the labour time necessary to produce particular goods.

The result is a decline in the labour costs relative to the value of the commodities produced. In the supply chain, production takes place in the form of subcontracting and home-based work. In order to examine the relationship between the principle employee, the contractor, the subcontractor, the worker and the home based worker, there is the need to look at some of the important issues: -

a) Whether there is a written agreement between the contractor and the employer.
b) Mode of payment - who gets what and in what form. That is whether piece rate, daily wage or salaried.

c) Reason for change in contract workers - the advantages to the employee for not maintaining permanent employees.

All the three issues are very complex and form the core of code of conduct. Each of them requires elaborate explanation and has been dealt in the fourth chapter.

Global supply chain and Indian garment industry

Economic and social changes taking place at the global level has led to changes in production and reorganization of the global garment industry. These changes taking at the international level has altered the production process in the garment sector at the local level. Thus affecting the conditions under which garment are produced, how they are manufactured and by whom and under what terms and contract. Earlier large manufacturers, which sold their products to retailers, dominated it, but now it is controlled by a few large retailers who contract out the production of clothes under their own private labels (Bonacich et. al 1994: 83). These retailers in turn manage a global network of garment suppliers in the low wage countries. This includes newer brands like NIKE, GAP & LIZ CLAIRBORNE.

The retailers play a dominant force in maintaining total control over their suppliers and production sites. The concentration of power in the industry allows these retailers to dictate prices and turn-around time for garment production. To be competitive, retailers have forced manufacturers to restructure: this has included slashing overhead and labour costs by contracting out work, either home workers or to factories located in third world countries. As a result a large part of subcontracted work comes to countries like India, China and Bangladesh,
countries that provide cheap and flexible labour force that fulfils the retailers’
demands (Bangham & Olson, 1997).

The garment industry is one of the dynamic sectors of the Indian economy,
growing at a rate of 20% per annum for the past two decades (NIFT 1998:2). The
garment industry in India is highly labour intensive industry. The garment
industry, apart from being a major export sector is also an industry where a large
part of the manufacturing activities take place not in the large registered
manufuring units but in the unregistered units as part of the informal sector.

India’s garment industry is a part of the ‘global value chain’ and forms an ideal
case for examining the dynamics of buyer-driven commodity chains. This is more
relevant with the expanding export of garments from the developing countries of
Third World. The GVC approach helps to capture the complexities of the Indian
garment sector to a global commodity chain by establishing the relationship
among the workers-subcontractors-manufacturers-exporters-buyers-retailers. The
Indian garment industry is studied from the perspective that it is part of the global
chain, in which design, production and marketing are divided among enterprises
located in different places. The ensuing relationships are seen asymmetric, since
access and control over resources, knowledge and technology differ and are used
differentially by various agents.

Delhi employees were estimated to include 1.02 lakh workers in the garment
industry. Of these, it is estimated that only 21,469 workers were in the registered
garment sector and 80,051 workers were in the unregistered sector. The total
garment sector employment in Delhi was roughly 5.82% of the all- India garment
sector employment (Singh et.al 2003). In the garment factories in and around
Delhi, a large number of people are involved in the production of the garment.
Below is an illustration of the supply chain that is operative in the garment factories:

**Figure 4: Supply Chain in the garment factory**

- Production house
  - *(Buyers for whom production done)*
- Producers/employees
  - *(Factories in which production done)*
- Factory supervisors
- Contractors
  - Factory workers
- Subcontractor
  - Home workers

So between the brand owners or buyers and the workers, there are lot of intermediaries like factory owners, supervisors, contractors and subcontractors. The contractors and subcontractors act as middlemen between factory management and workers. They bring work to the workers in case of home-based workers and take workers to the factory in case of contract workers. Most of these contract workers belong to the same village as the contractors and hence are known to the contractors personally. The workers in most cases do not know the name of the factory or the buying house for whom they are doing work nor do they know what is the money the contractors/subcontractors take from the factory owners as it the former who pays the workers.

Garment manufacturers and exporters with a strong sense of family and community identity control the supply chain at local level. *Firstly* the business group is a network of family pecuniary interest. This evident in the garment factories when we see that almost all at the senior level are family members, even including members of extended family. *Secondly* community identity is also evident, the contractors is a middleman between the local village and urban area.
gets people from the same community to work. Often got to hear the phrase 'we work as a family'. Family and community identity ensures that the malpractices are not reported on the pretext that what is being done is for the benefit of the family.

In the process of restructuring of global division of labour, labour loses its collective identity becomes increasingly individualized in capacities, in its working conditions & in its interest and projects (Castell 1996: 425)

The analysis in this chapter creates a framework that highlights the change in capital-labour relations due to process of global restructuring. And in the changing context, capital has become more mobile and labour more flexible thereby making capital-labour relations more complex. It has been further accelerated by the improvement in technology and communication whereby capital located miles away can regulate labour in the local garment factories. The significance of such analysis lies in the fact that with changing capital-labour relations, the organization of labour has become difficult.

The next chapter deals with the role played by state and TNCs in labour organization. The failure of state as regulator led to the emergence of TNCs as the sole guardian of labour conditions. However in the present context of the study, it would be seen that the state has not withered away but continues to play an important role. What is important to point out is that the state now appears as an external agent regulating the relation between capital and labour. The analysis of labour regulation is important as the neglect of the working condition led to backlash movement by the consumer and the civil society leading to the emergence of the process of SCA.