CHAPTER 3

OUTLINE OF THE INDIAN GARMENT INDUSTRY

Famously protectionist until the 1990s, the Indian export garment and textile industry has become increasingly integrated into global markets since the late 1980s, emerging as one of the top ten global exporters of clothing and textiles after 1998. In 2010, the latest year for which data are available, India’s Garment exports, of $16.6 billion, gave it a rank of 8th in the world market. India's Garment exports grew at an average compound rate of 22 percent per year throughout the 1980s, and by about 13 percent in the 1990s (UN Statistical Division 2011). Overall, India's share in the $408 billion world clothing and textile market stands at a modest 3.3 percent, especially when compared with China's 20 percent. But India's position has been rising steadily in the last two decades, growing from 1.5 percent in 1980 to 2.3 percent in 1990 and 5.3 percent in 2010.(UN Statistical Division 2010). India is widely predicted to be one of the main beneficiaries of the end of the quota regime which has governed global trade in the Garment and textile industries from the mid-1970s to the beginning of 2011. A substantial base in cotton production and plentiful supply of labour has ensured garment production which plays an important part in the Indian economy. In 2010 the garment and textile industry combined for 18 percent of India's industrial production and nearly 36 percent of its exports. It is the second largest generator of employment after agriculture and provides direct employment, formal and informal, to
an estimated 58 million people nationwide (Indian Ministry of Textiles 2010-11).

Thus, the aim of this chapter is to bring many of the themes and theories discussed in the previous chapter into the Indian context. It begins with a brief history of garment manufacturing in India because the legacy of government policies has profound implications for the industry’s present peculiar structure and work organisation. This institutional legacy, which gave Garment and textiles a special place in the country’s industrialization strategy, now determines much of the Garment industry’s potential for upgrading its skills, base, its productivity and hence its likelihood of meeting the promises of the new post-quota era. After this historical overview the discussion moves to the present factors which shape work organisation and HRM policy at Indian export garment firms. The first area of analysis is the nature, quality and quantity of networks that Indian Garment firms have established and the prospects for the future. Included is a detailed examination of how integration into Garment value chains has different consequences for upgrading on the supplier firms depending on what type of value chain they are part of. The other external factors which determine the shape of work organisation and HRM systems in place at Indian Garment firms are examined, including labour market quality to infrastructure. The researcher also looks at the evidence on productivity in garment manufacturing in India and gives an overview of the country’s rather lacklustre record on labour productivity and the potential for change.

3.1 PRODUCTION EFFICACY IN THE INDIAN GARMENT MANUFACTURING

The Indian export garment industry is known for its poor performance. The productivity of the average Indian Garment firm is much
lower not only than its European or US counterparts but it is also one of the lowest in Asia. Yet experts believe that India’s potential, to be a large global supplier of garments, is enormous. But structurally, export garment industry is one of the most fragmented sectors of the Indian textile industry, due to historical government policies, which favoured the small-scale sector. The segment has an estimated 27,000 domestic manufacturers. The effect of work organisation and HRM on performance in the Garment industry in India, is as yet, little researched or understood. One of the purposes of this dissertation is to address this gap. Despite this dearth of research, more has been written about labour productivity more generally in the Indian Garment industry. Although India can claim to have one of the lowest wage rates in Garment manufacturing, this is negated to a certain extent by low levels of labour productivity.

Table 3.1 Proportional labour costs in the garment industry

<table>
<thead>
<tr>
<th>Country</th>
<th>Average hourly wage in US$</th>
<th>Country</th>
<th>Average hourly wage in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1.12</td>
<td>El Salvador</td>
<td>0.11</td>
</tr>
<tr>
<td>Germany</td>
<td>1.00</td>
<td>Mauritius</td>
<td>0.09</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>0.51</td>
<td>China</td>
<td>0.09</td>
</tr>
<tr>
<td>Rep. Korea</td>
<td>0.51</td>
<td><strong>India</strong></td>
<td>0.07</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.27</td>
<td>Sri Lanka</td>
<td>0.06</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.80</td>
<td>Indonesia</td>
<td>0.02</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.60</td>
<td>Pakistan</td>
<td>0.02</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.14</td>
<td>Bangladesh</td>
<td>0.02</td>
</tr>
</tbody>
</table>


The World Economic Forum’s (WEF) Global Competitiveness Report (1999) found that wage, adjusted for productivity, is actually one of
the highest in India. A recent McKinsey study (2010) on India’s Garment competitiveness confirmed this when it found that the overall productivity percentage (number of men’s shirts produced per hour) of the Indian industry, exporting and domestic units, came to only 16 percent of US figures. During a comparison of the 12 main textile and Garment exporting countries McKinsey calculated that productivity of Indian Garment exporters was clogged at 35 percent of US levels, as against a 51 percent average for their Chinese counterparts. An earlier example comparing India’s productivity with her Asian neighbours clearly shows the difference.

Table 3.2 Production levels of garment firms (Number of pieces per hour)

<table>
<thead>
<tr>
<th>Name of the Country</th>
<th>Ladies</th>
<th></th>
<th>Men's</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Blouses</td>
<td>Dresses</td>
<td>Skirts</td>
<td>Shirts</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2.46</td>
<td>4.03</td>
<td>1.37</td>
<td>1.37</td>
</tr>
<tr>
<td>Taiwan</td>
<td>3.77</td>
<td>2.48</td>
<td>3.33</td>
<td>3.64</td>
</tr>
<tr>
<td>Thailand</td>
<td>3.39</td>
<td>2.44</td>
<td>4.09</td>
<td>3.95</td>
</tr>
<tr>
<td>South Korea</td>
<td>2.92</td>
<td>1.75</td>
<td>3.51</td>
<td>3.48</td>
</tr>
<tr>
<td>China</td>
<td>2.19</td>
<td>1.57</td>
<td>2.6</td>
<td>2.79</td>
</tr>
<tr>
<td>India</td>
<td>2.04</td>
<td>1.25</td>
<td>1.92</td>
<td>1.82</td>
</tr>
</tbody>
</table>

(Source: S.R. Khanna 2011, The Challenge of Global Competition in the 2010s. ICRIER Memo.27)

Vijay Mathur, Director of APEC in New Delhi agrees that there is room for improvement. He points out the need to increase needle-time among Indian manufacturers. According to his calculations needle time usage (i.e. the ratio of time that the machine operator is actually sewing, as opposed to do other things like reaching to pick up a piece, threading a
needle, or waiting for a machine to be repaired) is only 19 percent in India compared to 23 percent in China. According to McKinsey, India has poor organisation accounts for a large part of the productivity gap with its competitors. Its study (McKinsey 2010) showed that India is lagging behind in several areas: an absenteeism rate of 13 percent, versus 5 percent for rest of Asia; reject levels of 3.3 percent, versus 1.8 percent for rest of Asia; and delayed shipments at 19 percent, as against 9 percent for rest of Asia. It recommended that administrative initiatives needed to be synchronized with strides in manufacturing productivity and performance. Top of its list to make Indian Garment firms more productive and internationally competitive was making “organisational improvements to minimize absenteeism, rejection levels and delays”, followed by other improvements which included investing in technology and addressing supply chain needs such as optimisation of time to market and logistics costs.

3.2 FEATURES THAT REGULATE HRM, WORK ORGANISATION AND PERFORMANCE UPSHOTS

3.2.1 Location Aspects

3.2.1.1 Legal, political and social context

As De Sousa (1999) describes, the Indian government built on colonial labour institutions and regulations to fashion an industrial relations system that sought to control industrial conflict through a plethora of protective labour legislation. This was influenced by the strong ties between the major political parties and labour forged in the struggle for independence. Under this regime, many aspects of workplace industrial relations and human resources were regulated, including detailed laws on
health and safety, leave, dismissal and layoffs, so as to avoid sources of conflict which might undermine economic development. The industrial disputes act mandated that employers could lay off workers only temporarily (180 days with compensation), and provided that employers must seek government permission for retrenchment and even closure of factories, which was rarely given in view of the close ties between labour and political parties (Kuruvilla & Erickson 2002). These national trends are reflected in the Garment industry. The migration of garment manufacturing from the north of India in the 1980s, where it was the preserve of highly skilled male tailors, to the south of India where work is performed by unskilled, female machine operators, has changed the nature of work organisation from a cottage industry of craftsmen, to mass production systems. This geographical shift of production was made, in part, to get away from the so-called old centres of Garment (and textile) production in Mumbai and Ahmadabad or as some put it away from the sites of the old industrial relations (Tewari 2011).

Labour was, and continues to be, much more organized among the male labourers of the north and central parts of India. A combination of wage rises plus a massive and prolonged strike in 1982 in Mumbai, initially among textile workers, encouraged many garment factory owners to move their manufacturing facilities further south to Tirupur to make use of the cheap, unorganized female labour. These women were seen as easier to manage because they were docile and relatively politically unaware, compared to their male counterparts in the north. Much of garment manufacturing in Tirupur and Chennai is located on green-field sites on the outskirts of the cities to provide easy access to the rural, female and unorganized workforce. There is a garment union in Tirupur, The General and Garment Workers Union, which was founded in early 2004, does not
yet operate inside the production firms. The union had 4,200 worker members in late 2010. It works to promote awareness of labour rights, including minimum wage information and the use of employment contracts, through regular visits to organize workers in residential rural areas. Some employers have voiced concerns that the dissolution of the MFA will create an influx of migrant workers into Tamilnadu, the state where Tirupur is located in, from other, more organized southern Indian states such as Kerala, thereby increasing union formation in the state. Chennai with its deeply rooted base in textile manufacturing has a history of stronger labour organizing than other parts of Tamilnadu.

a) Social Responsibility

Many of the firms in the study sample have strong ties to the communities in which their workers come from. Indian social norms dictate that in a time of personal crisis for a worker, such as the death of a household’s primary wage earner or damage to the family home, the employer steps in to help with a loan or other assistance. Such paternalistic mind sets are very prevalent in the south Indian Garment industry where the majority of the businesses are family-run enterprises (fathers, sons and extended male relatives) and the workforce is predominantly young and female. Industrial relations in India are conditioned not just by the legal framework and history but also by societal expectations. According to Indian social norms a number of social responsibilities are beholden on the employer towards the community in which the firm operates. In exchange for “being allowed to establish its operations in a particular community the firm is expected to provide something in return to the local community”. Such obligations could be met by the provision, for example, of community schools, health centres or wells. Employers are also expected to prioritize the employment of the local population.
b) Infrastructure

Poor roads and public transportation systems not only increase tardiness and absenteeism among the workforce, they may also be so bad so that the private sector is required to provide its own services, such as buses, or alter the geography of its recruitment practices, or even shift the location. Tirupur is infamous for its poor infrastructure, poor transportation, and lack of power supply. Regularly threaten to quit the city unless the state government does something to improve the situation and deals with the traffic problems so that its employees can get to work. Roads are comparatively better in Chennai than Tirupur but the Garment parks and export processing zones are notorious for their power outrages and lack of water. The most problematic industrial parks are Guindy and Ambattur, both on the outskirts of Chennai, where on-going battles between the industry association and the municipality (or line agencies) in managing the park have led to high levels of neglect in terms of garbage collection and water supply. Roads in all the industrial estates in Chennai, except MEPZ remain un-paved. The poor infrastructure system across countries such as India, not only inhibits economic growth it determines to a certain extent, but the provision of human resource services also required by the private sector to fill the gap left by government. The lack of local health care services in many areas leaves the burden of care to the firm if they choose to provide it.

c) National Distinctiveness

One of the problems of coming up with an Indian type of HR is the country’s very heterogeneity. Ratnam & Chandra (1996) describe at length the challenge of diversity in managing people in the Indian workplace. There are, for example, about 3,000 castes in India and each
one is a social unit in itself, its structures and strictures differing in each case (Hutton 1980). Due to the traditional nexus between caste and occupation in India the societal weaknesses of the caste system are superimposed onto the organisational hierarchy of the modern corporation and exacerbated. While some of the old rigidities are eroding, particularly in the cities, the presence of caste is still felt in virtually all domains of Indian economic activity; for example, modern entrepreneurs are still mainly drawn from the trading castes. Finally, in addition to the factors that tangibly affect the shape of HRM such as infrastructure and labour law, there are some of the less tangible factors such as national culture, which are believed by some, to inform decisions and practice on human resource management (HRM). The field of HRM in India is relatively new and there is only a small amount of comparative literature characterizing practices in this country. The literature begins by asking whether there is such a thing as an Indian HR model. The underlying premise of much of the literature is that while most HRM policies in India have been borrowed from a Western context, many of the modern Western ideas and theories do not always work in practice because there is a mismatch between Western management theories and the Indian culture and value system (Jain 1991).

3.2.1.2 Labour market structure and circumstances

Despite a surplus of unskilled labour, many garment firms are reporting shortages in the more highly skilled areas, such as fabric cutters and the A-grade operators required for flat-lock stitch and feed-of-the arm machines. The expansion of factories and the firm of new enterprises due to the end of quotas are serving to make the labour market tighter in certain geographical pockets and for certain higher level skills. Lack of skilled labour in the Garment industry has been particularly reported by firms in Tamil Nadu (Gunasekaran 2011). In a survey conducted by the Apparel
Export Promotion Council (AEPC 2011) 69 percent of the 400 Garment units questioned were said that they were having difficulties in recruiting qualified machine operators. India’s labour surplus is historically viewed as creating favourable conditions for the employer in the garment industry. According to the last Census of India in 2011, India’s labour force is growing at a rate of 2.5 percent annually, but employment is growing at only 2.3 percent. The absolute number of unemployed increased from 20 million in 1994-95 to 27 million in 1999-2000. The incidence of unemployment, (expressed in terms of unemployment as a percentage of the labour force) which was 8.3 percent in 1983 fell to 5.99 percent in 1993-94 but then rose again to 7.3 percent in 1999-2000 (Economic Survey 2002-03) and is estimated at 9.2 percent for 2004. This national rate compares with Tamilnadu's below average state level unemployment of 8.57 percent in 2009-2010, and above average rate of 15.78 percent for Tamil Nadu (Census of India 2001). Because Garment export firms in the organized sector positions are over - subscribed and lines of job seekers awaiting outside the factory gates every day.

a) Quality of the Labour Force

One of the other reasons that garment industry entrepreneurs, often from north Indian families, moved their manufacturing facilities to south was to take advantage of the high literacy rates. Education is highly valued in the south Indian community as it is seen as a gateway to a better livelihood. Many of the nation’s most prominent physicists and mathematicians are from south India. Literacy rates are higher in the south of India at 74 percent compared to the North’s 59 percent. The Dravidian movement, which began in Tamil Nadu, aimed at uplifting the socially depressed classes through educating people and eradicating superstitions. They had a commitment to social justice, which led to an education
revolution in the state. Today many of India’s premiere colleges are located in the South. Compared to the overall literacy rate in India of 54.16 percent for women, both Tripur and Channai are having an average of 64.55 percent and 57.45 percent respectively. According to the 2011 Census of India, Tamil Nadu’s literacy rate increased from 62.66 percent in 1991 to 83.47 percent in 2011. The female literacy rate increased from 51.33 percent in 1991 to 64.55 percent, while the male literacy rate grew at a slower pace from 73.75 percent in 1991 to 82.33 percent in the same period. This is in line with trends elsewhere in the country, with female literacy growing more rapidly from a lower base level. The literacy rate in Tamilnadu has also shown significant improvement where the rate increased from 56.04 percent to 87.04 percent in the last 10 years. The female literacy rate in Tamilnadu is 57.45 percent, compared to the male literacy rate of 76.29 percent in 2001. Even though Tamil Nadu’s female literacy rate is a little lower than Chennai, Tamilnadu has other advantages for an employer in the export garment industry. Although the state’s language is ‘Tamil’, many people are fluent in more than one language and English is widely spoken in the state, even among the lower socio-economic groups. The ability to at least count and read instructions and labels in English is a necessary skill on the production floor of any Indian Garment firm. The quality of labour in the garment industry is however, undermined both in the north and the south of the country, by a chronic under investment by the public sector in technical training. The responsibility for training is instead left to the firm, but this is a risky substitute in an industry where monthly employee turnover averages around 10 percent, a disincentive to many firms from making such an investment. The need for technical training facilities is particularly felt in the south of the country which does not have a strong historical base in tailoring skills to draw from. By contrast in the north of India, tailoring,
cutting and embroidery skills were taught from father to son in cottage industry. Although production for export now also takes place in mass production systems in the north of India, the inherited skills are still present and are transferred in many ways as it is and it requires less investment in technical training by the firm. The female machine operators in the south generally arrive at the factory gate unskilled and this lack of skill and dependence gives the ‘political’ advantage to the employer in many ways.

3.2.2 Product Aspects

A few observers however, have pointed out a number of advantages that accrue India from such a decentralized and networked Garment production structure. They point out that it has enabled Indian Garment firms to be competitive in low volume, fast moving segments with greater fashion content compared to China or Bangladesh for example, where the minimum efficient scale of operations is much higher (Joshi 2002). Meenu Tewari (2011) argues that these small scales of operation forced firms to learn how to manage small-batch production and variability in orders efficiently, which effectively gives them a unique competitive edge. The Indian ability to produce more fashion-orientated goods has also been attributed to the continuous presence of the highly-skilled tailor, rather than semi-skilled assembly worker, who retained their place in Indian Garment manufacturing much longer than in other exporting nations (Chatterjee & Mohan 1993). Ramaswamy & Gereffi (1998) attribute the increase in unit values realized by Indian Garment manufacturers during the 1990s to focus on small volumes and high fashion goods. At the same time Tewari points out that the small capacities of Indian Garment firms oriented their exports toward the European market early on, rather than the United States that required larger production volumes.
3.2.3 Size of the Firm

Job creation was a major concern and objective of successive five-year plans. Since heavy industries are capital intensive, and given the huge labour surpluses in India, the state assigned a few light goods industries, notably the textile and garment sector, the role of absorbing large magnitudes of unskilled labour. This role was made possible by India’s abundant raw material base and capabilities in cotton production. The Garment industry grew from this rich textile base, as weaving and spinning firms often integrated forward into Garment manufacture or other firms were established to capitalize on the supply of cotton textiles.

3.2.4 Inter-Firm Networks

India’s integration in the global Garment market is a relatively recent event. In the 1960s and 1970s India was primarily an exporter of textiles and had minimal export oriented Garment production. The small amount of Garment that did go abroad to the USSR and Eastern Europe. The bulk of India’s export orientated manufacture took off from the mid 1980s, sometime after the first and second wave of global Garment outsourcing. East Asia has been the dominant region in Garment outsourcing for the last half century, with Japan during the 1950s and 1960s, Hong Kong, South Korea, Taiwan during the 1970s and 1980s and China in the 1990s which are emerging sequentially as world class textile and Garment exporters (Bonacich et al 1994). While East Asia emerged as the world’s leading hub of Garment and textile exports during this period, India went the opposite way, turning strongly toward the domestic market and virtually withdrawing from exports until the mid 1980s. There were two primary reasons for this. The first was the internal, political decision of India to base its industrialization on a policy of import substitution and
allocate a special place garment and textiles in the protection of its workforce. The second was external, and had to do with the quota regime that governed much of trade in Garment and textiles from the mid-1970s onwards.

3.2.4.1 National inter-firm networks

The national inter-firm networks within the Indian garment industry are shaped and constrained by a range of government policies. India’s arrival on the world Garment scene was delayed for the main part as a result of deliberate, domestically focused textile and Garment policies. Like many developing countries in the early 1950s, India embarked on a socialist strategy of state directed heavy industry based industrialization. To protect domestic industry from foreign competition and promote self-reliance policy of import substitution was adopted and an active and expansionary role was awarded to the State. A central objective of India's industrial development has always been a strong commitment to distributional concerns, reflected in its constitution. But the aim for this priority has to be achieved and at the same time maintaining sustained income growth, international competitiveness and domestic political cohesion. In pursuit of these objectives, a series of policy instruments were developed which include the pervasive licensing of industrial activity; the reservation of key areas for state activity; an inward focused trade policy; controls over large domestic firms’ foreign direct investment (FDI) and technology transfer; interventions in the labour market designed to protect labour; and policies designed to promote small-scale industry (SSI) (Kaplinsky 1997). These policies were defined in seven five-year plans, stretching between 1951 and 1990.
3.2.4.2 Features of international inter-firm networks

The international inter-firm networks in the garment industry are also shaped by India’s unique heritage. In 1974 the main Garment importing countries, anxious to protect their own domestic industries, imposed a succession of physical restrictions on exports from supplying countries through the Multi-fibre Arrangement (MFA). Indian Garment production was particularly constrained by this because the bulk of its exports have historically been directed to Europe and the United States, countries with the most stringent quotas (Kathuria et al 2001). By contrast, China’s export markets were more diversified and less dependent on quota importing countries. China has relied on its more proximate markets of Japan and Hong Kong for its growth. In 2003, Japan was still the largest destination for Chinese readymade garments, with 30 percent of its exports destined for Japanese shores. India’s historic export patterns have been equally resilient. The majority of India’s Garment exports continue to go to the two largest, former quota regimes of the European Union and the United States, which absorbed 47 and 36 percent respectively in 2003 (UN Statistical Division). Although Europe retains the largest share of Indian Garment exports, the US is emerging as the fastest growing and single largest destination for Indian Garment. India sends only 1 percent of its garments to Japan, the world’s next largest Garment importing region after the US and Europe (UN Statistical Division 2011). It is hard to overestimate the importance of the end of the quota system in textiles and Garments as a cause for change in the Garment industry and firm level influence on HRM upgrading. The Garment firms in this study currently operate in the shadow of the phase out of the MFA, some seeing it as an opportunity and others as a false promise unless India can respond appropriately by making its Garment manufacturing more internationally
competitive. Being in an internationally competitive product market is a commonly cited spur to upgrade (Osterman 1994) and in 2011 the Garment market was exposed to an openly competitive environment for the first time in over thirty years. India’s rapid integration into the global economy and the shifting global trade landscape is challenging its garment firms to upgrade their skill base to keep pace with the operation and quality standards demanded by global Garment buyers.

3.2.4.3 Networks and advancement

India’s isolationist and protectionist history has consequences for the shape of HRM in Garment factories today. The country’s unusual path of entry onto the world Garment scene has influenced the number and quality of networks the country and its firms has established, and affects the upgrading benefits that come with being a part of these networks. Kaplinsky (1997) wonders whether “the weakness of the supply chain, bearing in mind the relative underdevelopment of SMEs, poor physical infrastructure and the lack of sophistication in product markets has undermined the ability to forge these new forms of inter-firm cooperation?” The degree of networkedness that India can establish, through trade agreements or inter firm links within global Garment value chains, with foreign capital and within domestic clusters, is likely to condition its success in the post-quota era and the scope for learning about and implementing innovation in work organisation and HRM.

a) Trade Association

India has not been able to counter its reliance on the quota protected Garment importing regions with other trade enhancing alliances. It is not part of any major regional free trade agreement with the countries
that its buyers are located in. By contrast, the top five fastest growing Garment export countries in the 1990s all benefited from being incorporated into major regional or preferential trade agreements with their main buyer countries; NAFTA in 1994 in the case of Mexico, EU enlargement in the case of Romania, EU customs union in case of Turkey, and least developed country status and tariff free entry for Bangladesh into Europe. China’s Garment exports have also benefited from, although not been determined by, membership of the Asia-Pacific Economic Cooperation (APEC), which includes significant non-quota importers like Japan, Australia, South Korea and Singapore. India meanwhile has not enjoyed any of these advantages. Membership of South Asian Association of Regional Cooperation (SAARC) of which Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka are the other members, has not fuelled her trade prospects in textiles or Garment area.

b) Impacts of Foreign Direct Investment

One of the starkest contrasts drawn in the literature on economic growth and competitiveness between India and China is the difference in each country in levels of foreign direct investment (FDI). India as a whole attracted $15.5 bn in FDI in 2010-11, an annual increase of 18 percent, but less than a tenth of the inflows into China. FDI amounts to just 0.7 percent of GDP, compared with 4.2 percent in China and 3.2 percent in Brazil. The Indian government estimates that $150 bn needs to be invested in upgrading the country's infrastructure over the next 10 years. The government's piecemeal reform, allowing FDI into only certain sectors, opening other sector up but maintaining investment caps and Indian ministries who interpret the complex rules differently have all acted as a disincentive to foreign firms. Foreign ownership is prohibited altogether in industries such as retailing, agriculture and property, and is
limited to minority stakes in many others such as banking, insurance and telecommunications. However, the success of the IT, business process outsourcing (BPO) and auto industries following de-restrictions on the FDI inflows, is strengthening the case of those who argue for complete liberalization of FDI rules in India. Along with the foreign capital and expertise that flows into these countries where some implications and challenges can come in aspects of HRM. In many of the countries the benefit from large FDI inflows in Garment, but particularly in China, Sri Lanka, Bangladesh and Mexico it is common to find firms run by Taiwanese or South Korean managers. The consequent language and cultural barriers between management and production workers required some adaptation and have caused significant HRM challenges for some of these firms (Frenkel 2001). Many firms are attempting to solve these problems by engaging in extensive capacity building among 'local' staff to take over these senior level responsibilities. By contrast, India's Garment Exports are dominated by domestic firms and wholly domestic management, apart from a small number of exceptions usually in the form of Sri Lankan production management. This has not caused same difficulties as foreign management in other countries due to the close cultural and social links between India and Sri Lanka.

c) Global Garment Value Chains

India barely had any export-oriented garment production before 1980. The linkages of its Garment industry to global Garment value chains are shallower and relatively compared to the majority of its international competitors. In contrast to the central role that major global retailers and branded Garment specialists like Wal-Mart, Sears, Nike, Liz Claiborne and VF historically played in initiating and channelling Garment exports from East Asia, Bangladesh, Sri Lanka and Latin America (Bair & Gereffi 2003,
Gibbon 2000, Rhee 1990), few of the largest global buyers played any direct role in building deep sourcing networks among Indian producers when its Garment exports first took off in the mid-1980s. They began sourcing from India much earlier than mass distributors and discount retailers like Wal-Mart, K-Mart, Target and others which are only now intensifying their procurement from India. Wal-Mart and Target did not have their own sourcing offices in India till as late as 2004/05. In 2003, the North American Sara Lee could not find any Indian suppliers which complied with its standards or were big enough to execute big orders ($6.5 billion) at one location. But in 2011, Sara Lee was back in India and has launched a new underwear manufacturing facility in Tirupur, set up as a joint venture with Sri Lanka-based MAS Holdings (Surendar 2004).

d) Domestic Intra and Inter-Firm Networks

It is not just cross-border inter-firm networks that offer India firms knowledge about the latest innovations in work organisation and the promise of upgrading their skills and capacities. There is huge scope for building on local, domestic networks. These networks exist between the estimated 250,000 Garment firms in India and even between firms within the same firm. These domestic networks can be used by firms to upgrade, and thereby bolster their competitiveness at home and overseas. The industry associations have done little to encourage collective action or collaboration among firms. Apart from the AEPC, which has been in a powerful position because it allotted quotas to firms under the ‘old regime’, the other industry associations such as the Clothing Manufacturers Association (CMAI), the Garment Exporters and Manufacturers Association (AEMA) and Garment Exporters Association (GEA) are relatively disengaged and low profile institutions. Information flow, from institutions such as industry associations, is critical in an effective industry
cluster (Jacobs & De Man 1996, Rosenfeld 1996, Saxenian 1994). In order to facilitate information exchange, a social infrastructure is required. As Rosenfeld points out, “while the characteristics of a cluster may be present, it is not necessarily an effective cluster; an effective cluster must also include social interaction, trust, and a shared vision in order to create the dynamic nature of a cluster”. The Indian Garment industry is at the very early stages of developing these attributes.

3.3 WORK ORGANISATION AND HUMAN RESOURCE MANAGEMENT

Workers in Garment export factories, which have to be registered under the Factories Act (1948), enjoy the benefits of permanent employment. Production workers are full time workers and officially work a 6 days per week, usually from 8.30 A.M. to 5.30 P.M., with half an hour off for lunch and two breaks of 15 minutes in the morning and afternoon, plus 2 hours of official overtime. Unofficially firms in this sector may subcontract work to unregistered firms that are more likely to use a temporary workforce and daily wage rates. For the purposes of this study, however, the production workers are part of a permanent workforce. As in much of Asia, production workers in the garment industry in the south of India are predominantly female, with positions in engineering and management departments almost exclusively reserved for men. Men typically perform the role of line supervisors, although women appear increasingly to have access to these positions at some firms. Some hot and heavy job classifications, such as ironing and washing, are also usually performed by men. This contrasts with garment production in the north of India where the whole workforce is almost entirely male. The existence of a majority female workforce at the southern Garment firms has profound implications for the shape of HRM. For example, in India there are more
restrictions on the number of hours a woman can work during the day than a man. Until recently women were not allowed to work after 7 P.M. without the firm applying for a special dispensation from the government. But in early 2011, in an attempt to assist India firms ramp up their production capacities, the law was changed to allow all women who volunteered to work up to 10 P.M. providing an evening meal and free transport to home and thus enabling firms to operate legally two shifts per day (6 A.M. - 2 P.M. and 2 P.M. - 10 P.M.). The female workforce also changes the type of benefits and services that are required, such as the provision of a crèche and free transport for late night workers. It also puts a premium on the delivery of services such as subsidized food and health care facilities. Many of the women working at these firms are undernourished and suffer higher rates of anaemia than their male colleagues, which affect their productivity and wellbeing (Joseph 2011).

3.4 CHAPTER SUMMARY

This chapter has presented the contextual background of the Indian Garment industry in order to examine the factors influencing work organisation and HRM at firms. It has shown how certain policy-induced structural features of the garment industry have created inefficiencies in production and determined the shape of work organisation and the development of HRM, how inter-firm networks have influenced knowledge transfer and decisions to upgrade, how legal, political and social structures further shape practice and finally the well-known productivity challenges of the industry have been exposed. It is within this context that the following chapter outlines the results of the firm-level survey.