Governance Structure and Labour Market Outcomes in Garment Embellishment Chains

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Suma Scaria
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Gujarat Institute of Development Research
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Abstract

Globalization has led to large scale outsourcing of production activities to developing countries manifesting in global commodity chains. We use the perspective of global commodity chain or GCC framework and social embeddedness to understand the organizational and social linkages in the embellishment production network in garment industry. Our findings are based on the fieldwork conducted in Bareilly situated in Uttar Pradesh, an important centre of embellishment activity in India. We have mapped the value chains in terms of the production process and through the network of agents. Such mapping helped to identify two types of governance structures: control over work processes and control through social institutions. The lead firms in developed countries control the production network in peripheries through design, lead time and quality parameters. The flexibility in production is largely materialized through dual system of hiring workers and informalisation of labour. The embellishment production networks, both international and national, are also submerged in the existing social structures based on religion, caste, gender and space. There are subtle differences between export and domestic chains in terms of the governance structures or controls used. In the export chain, lead time and quality parameters play a crucial role, while in the domestic chain these are more relaxed. There differences in the controls through social institutions and structures are also subtle between the two chains. The comparative advantage in the cost of labour in international chain is largely realized through outsourcing to home-based workers, mostly women. Similarly, space mediates in the accumulation process as most of the workers engaged in export products reside in rural areas of Bareilly where wages are lower. The study shows that given a choice, enterprises and workers prefer to work in the domestic chain compared to international chain as working in export market is risky and uncertain and earnings from export products not adequate.

Keywords : Gender, garment, value chain, informal workers, home-based work

JEL Classification : J01, O17, J16
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Governance Structure and Labour Market Outcomes in Garment Embellishment Chains

Jeemol Unni
Suma Scaria

1. Introduction

The process of liberalization underway has led to change in the way production is organized. The production process has been decentralized with a wide range of activities subcontracted to small firms and home-based workers, in an attempt to increase profits and marketability. Firms are pushed into outsourcing or subcontracting because of increasing economic costs, heavy competition and to circumvent labour legislation. One set of literature clearly argues subcontracting to be the most “efficient” form of production organization (Coase, 1937; Williamson, 1975), while another set shows such relations to be exploitative (Romatet, 1983). Similarly, the early empirical literature in India argued that the subcontracting inter-firm linkages were exploitative (Bose, 1978; Banerjee, 1988; Harris, 1982). However, the more recent literature argues that this is an efficient form of production organization, though there is an implicit mention of the attendant exploitation of labour (Basant and Chandra, 2002; Morris and Basant, 2004). The exploitative nature of work within the subcontracting chain is more likely to occur in informal enterprises and home-based situations.

Globalization or the integration of global production systems has led to shift of global capital to developing countries manifesting in global commodity chains. The international literature on sub-contracting identifies two kinds of commodity chains: producer-driven commodity chains and buyer driven chains (Gereffi, 1994). In producer driven chains, large transnational companies play a central role in coordinating the production network, including backward and forward linkages. Such chains operate in the technology intensive sectors such as automobiles. The profitability of lead firms in producer driven chains arises from their control over raw materials and technical know-how. There is little scope for subcontracting to households in such chains. In buyer driven chains, large retail companies and buying agents control the network. Such chains are normally in labour

Jeemol Unni and Suma Scaria are Professor and Assistant Professor, respectively, of GIDR, Ahmedabad.
intensive goods such as garments, sports goods, etc. The profitability in these chains arise from unique combinations of high value research, design, marketing and financial services. The chains are controlled by lead firms through their ability to shape mass consumption via strong brand names and their reliance on global outsourcing strategies to meet this demand. These chains can extend into the households and engage home workers in the production chain (Mehrotra and Biggeri, 2007).

The garment industry is an export-oriented industry with a very fast growth. A large part of this industry is in the informal and home-based sector (Rani and Unni, 2004). The structure of the industry is such that 94 percent of the units and nearly 70 percent of the employment are in the marginal enterprises. The embellishment is an important node in the production network of garment industry. It is a high value adding activity to a cloth material. According to one estimate, once the embellishment is done on a cloth material, its value almost doubles compared to those without embellishment (Mezzadri, 2008). The ethnic designs on garments with embroidery and other kinds of embellishments are very fashionable in India and abroad. These types of garments are, however, more expensive and usually cater to an elite segment of consumers. There are many different segments of the embellishment industry that subcontracts work down to informal enterprises and home-based workers based in the peripheries of core regions within a developing country.

Our study is focused on the delineation of organizational and social dimensions of the embellishment production network in the garment industry. The production network of embellishment industry involves several sub activities or nodes in the value chains. The agents involved in embellishment are largely engaged in both national and international chains. The lead firms in commodity chains set forth certain parameters regarding quality and delivery time. Similarly, the production networks are also largely subsumed in the social institutions and structural differences in the region in such a way as to facilitate the accumulation process. Given this backdrop, the objectives of the study are two fold: (i) to identify the value chains/commodity chains in the garment embellishment industry from the top to the bottom within the international/export and national/domestic chains; and (2) to understand the governance structure in embellishment chains through controls over work process and social structures. We posit that the difference between the export and domestic chains is that in the former control is exercised through the production process. In the latter, domestic chain control is exercised more by social institutions and less by the
production process itself. In this way the governance structures differ between the two types of chains.

2. Global Commodity Chain Framework (GCC) and Social Embeddedness

Gereffi (1994) conceptualized the world economy as a system of chains within which the production and marketing of products took place. These chains connected the core regions of the world where the consumption took place to the peripheries where the production took place. The GCC framework analyzed the relations between core regions of the world and the periphery, how export opportunities are generated for, rather than by Third world actors, how niches are opened or vacated within the network of global production (Sverrison, 2003). The three main dimensions of the GCC framework are: an input-output structure, a territorial structure and a governance structure. That is, a set of products and services are linked together in a sequence of value adding economic activities dispersed spatially, but with concentration of production and marketing networks. It is a network of material and labour processes that precedes a finished commodity. Each production operation in a commodity chain is called a node. The authority and power relationship within the chain determine how the financial, material and human resources flow (Gereffi, 1994). Even though the term ‘global’ in global commodity chain denotes global production network, where lead firms located in developed countries dictate terms and conditions to actors in the peripheries, we find the same framework useful for analyzing the hierarchical relationship in domestic commodity chains also.

The GCC framework gives emphasis to the governance structure in the chain. According to some of the literature, ‘governance’ within a commodity chain is central (Humphrey and Schmitz, 2002). In this context governance implies that lead firms in the chain set and/or enforce the parameters including delivery time and quality standards. The concept of GCC may be used merely to trace the physical movement of commodity with no acknowledgement of the power relationships underlying such chain. An example is the supply chain or cluster development studies designed from the perspective of lead firms in developed countries to ensure the steady and economic supply of commodities from the peripheries (Awasti et al., 2007; Singh, 2006).

The global commodity chain framework provides useful insights on the hierarchical relationships in the sphere of production (in terms of material
and labour processes) within a commodity chain, but overlooks the social linkages involved in it. In this context we find the concept of social embeddedness by Grannovetter (1985) very useful. According to this concept the economic actions of the agents are embedded within a social structure. The commodity chain does not operate in a vacuum. They are very much embedded within a social structure organized in terms of class, religion, caste, gender and also space. Such an approach involves mapping of the social relationships/linkages in a chain. The labour forms an important element in the chain and is the major criterion for large scale outsourcing to peripheries. The capitalists are able to absorb the cheap labour embedded in social structure into their production networks (Rammohan and Sundaresan, 2003).

The present study using the perspective of GCC framework and social embeddedness focus more on agents rather than production processes in the chain. The attempt is to redraw the commodity chain from the perspective of agents, especially those at the bottom (Ibid). The literature on GCC stresses that it is essential to enter into global production networks of lead firms in developed countries for upgradation of different nodes of production in developing countries. Upgradation in such literature is generally viewed within the narrow economic approach of adding high value services and manufacturing capabilities. But here we are trying to understand the implications of entry into transnational networks from the perspective of agents especially workers. What does entry into global production network mean to them? Does it mean improved working conditions or wages? How do they exercise their choice with respect to working in both global and domestic chains? Our study which is exploratory in nature may help to shed some light on above questions.

Bareilly in Western Uttar Pradesh is chosen as the site for the field work of the study. It is one of the biggest centres in India where embellishment activity is done on a large scale. The embellishment work done in Bareilly is called ‘adda work’ or ‘moti work’. The fabric is spread out and fastened on a large frame called the ‘adda’, like a cot, which could be 4, 6 or 9 feet long. Fancy materials such as beads, crystals, motis and sequences are stitched on to garments including sarees, in ‘cobbler like’ stitches. This kind of embellishment has become a rage in the country in the last 4-5 years and is very popular with the younger generation and old alike. This slightly

---

1 Our discussion with exporters and wholesale traders in Delhi reveals that important centres of embellishment in India are Bareilly, Calcutta and Jaipur.
The empirical accounts for the study are mainly drawn from the field work in Bareilly and Delhi. The samples of actors in the embellishment chain in Bareilly were selected through purposive sampling method and were interviewed through structured schedule. The agents we identified were wholesalers/retailers, contractors, sub-contractors, enterprises and workers including hired and home-based. Similarly, a small sample of exporters/wholesalers was interviewed in Delhi through unstructured questionnaires. Apart from this, we use case studies and informal interviews to identify value chains and gather qualitative information.

2.1 Why Outsourcing of Embellishment Activity to Bareilly?

The major reason for large scale outsourcing of embellishment activity to Bareilly is its cheap labour. An international retailer based in U.K reported that, “the comparative advantage of Bareilly lies in its low price. If products are overpriced, then the production may shift from Bareilly”. The whole sale traders in Delhi engaged in the domestic market also reported the same. According to them, in Bareilly it is possible to do a full saree for Rs. 2700 but in Delhi the same may cost around Rs.3500. This fortifies our argument that the comparative advantage of Bareilly lies in its relatively lower labour cost. Besides the cheapness, the region is also historically famous for its specific kind of work. The intricate work using fancy materials such as big sequences, sitaras and motis stands out as the speciality of Bareilly.

The lack of alternative employment opportunities has weakened the bargaining position of the workers. Their access to productive resources such as land and education are very much limited. During the off season, most of the workers are engaged as agricultural labourers and are mostly landless. Their access to education is also limited and is evident from the fact that average years of formal schooling of embellishment workers for both hired and home-based is just 4 years (See Table 1). Many drop-out of education at a very early stage and the incidence of child labour is high. The situation of wholesale traders and exporters who stand high in the
chain are in complete contrast with those at the bottom of the chain. Our field work reveals that wholesale traders and exporters have an average of 12 and 15 years of formal schooling respectively. Of course it is possible that education itself is determined by the wealth and social status so that persons with higher education undertake contracting or wholesale business partly due to availability of capital and capacity to take more risk.

Table 1: Average Years of Schooling

<table>
<thead>
<tr>
<th>Status</th>
<th>Average years</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesalers</td>
<td>11.67</td>
<td>3</td>
</tr>
<tr>
<td>Contractors</td>
<td>5.25</td>
<td>16</td>
</tr>
<tr>
<td>Sub-contractor</td>
<td>6.73</td>
<td>11</td>
</tr>
<tr>
<td>Workers</td>
<td>3.88</td>
<td>57</td>
</tr>
<tr>
<td>1. Hired</td>
<td>4.93</td>
<td>30</td>
</tr>
<tr>
<td>2. Home-based</td>
<td>2.70</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>5.41</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Field survey.

The lack of access to alternative resources together with abundant supply of skilled workers has increased the competition in the labour market. There is large reservoir of unemployed skilled workers because of lack of alternative employment opportunities. Being part of a region traditionally associated with Zari work, almost all the households, especially, Muslims are engaged in this work over generations. Such a situation has created huge competition in the labour market and weakened the bargaining power of the workers. This is evident from our interviews with wholesale traders in Bareilly. We asked one of the wholesale traders, “What is the guarantee that workers won’t run away with your materials?” He laughed at our question by saying “where they would go with these materials?” The response of the wholesaler shows the weak bargaining power of the labourers due to structural constraints.

The access to productive resources such as skill and credit are also limited. The embellishment industry mainly operates through informal community networks. The contractors distribute their work mainly to those workers belonging to their community. The workers do not have any formal skill training and their only source of information regarding new pattern and technology is informal networks based on kin and community. There
is also lack of dependence on formal institutions such as state for availing credit facilities. Our interaction with workers revealed that benefits provided by the state such as loan facilities for small scale industries are viewed with mistrust due to corruption and nepotism among government officials. The insecurity of being in a minority religion resounds large among workers and contractors. Many reported that “we are minorities, so none would help us”.

3. Mapping of Production and Agent Network in the Embellishment Chain

It is possible to map the value chains in the garment industry in two ways. Traditionally the value chain is mapped through its production process, from raw material to finished product. This is useful to understand governance through the production process. We also map the value chain through the network of agents involved in the production and distribution of the product. This can be used to articulate the social embeddedness of the chain and governance through social structures.

a) Production Process

The value chain of the garment industry consists of the entire process from the production of cloth from the textile mills to the production and sale of the garments. Here we focus on the value chains within the embellishment segment of the garment industry. As mentioned earlier, the embellishment segment is part of both the international export and the domestic chains in garment industry. There are small differences in the way production process in the two chains are organized.

International Value Chain: The exporters receive orders from large retail companies abroad or from their buying agents in India. The exporters generally have very large enterprises where the production of the garments takes place (Figure 1). These units obtain the fabric from the textile mills in Surat, Mumbai or even have imported materials from China. The designs are usually developed by designers employed by exporters. These designs are handed over to contractors, sub contractors who then copy it on to butter paper. The inputs such as dress materials and fancy materials are passed over to contractors by exporters. The export houses generally procure the fancy material in order to maintain quality of the embellishment work. After the embellishment work is done the fabric is washed and returned to the exporter. A process of checking for the embellishment done takes
place at the export unit. The final garment is stitched in the export unit. Labelling, which is a very important part of the retail garment trade generally takes place in the export units, since these labels are often a guarded secret. They are the brand names of the retailers in US or UK and have a high value addition component to it.

**Domestic Value Chain:** In the case of domestic value chain, the wholesale traders/retailers are generally the final traders of the finished garments and do not do much of the production activity themselves, unlike the exporters (Figure 2). However, in the case of garment embellishments they do organize part of the production process. The designs are generally obtained by the wholesalers from the master craftsmen. These master craftsmen are often the traditional and the most skilled artisans in the ‘adda’ work. The wholesalers place the order for the garments with the contractors. The contractors organize most of the garment embellishment activity, including buying the fabric, fancy materials and subcontract out the work to sub contractors or enterprises. The embellished garments are collected back and washed by contractors. The final product returns to the wholesalers.

**Figure 1: Value Chain in Garment Industry: Export**

- **Garments: Exporters Enterprises**
  - Designing: designers employed by Exporters
  - Copying Design: Contractors
  - Procuring inputs: Fancy/materials: Contractors/Subcontractors
  - Embellishment: Adda work: sitaras, motis design
  - Washing: Subcontractors
  - Checking/Altering: At Exporter
  - Packaging/Labelling (Brand): Exporter

- **Fancy Material: Delhi**

- **Dress Material Surat**
b) **Network of Agents**

**Domestic Chain:** Within the domestic value chain we have observed broadly four kinds of networks (Figure 3). Two chains are relatively longer compared to others.

a) The wholesale traders or retailers in Delhi outsource to wholesale traders in Bareilly who in turn outsource to contractors in Bareilly. Then the chain proceeds to subcontractors and finally reaches workers. This chain includes all the agents and is the longest chain within the national chain.

b) The contractors in Bareilly who gets work from wholesale/retailers in Bareilly may directly outsource to home-based workers overriding subcontractors.

c) The wholesale traders/retailers in Delhi may directly subcontract to contractors in Bareilly and then the chain proceeds to sub contractors and reaches workers finally. This chain overlooks wholesale traders in Bareilly.

d) It is also possible that the above chain (c) bypasses subcontractors and reaches directly to workers. This chain avoids two agents, wholesale traders in Bareilly and subcontractors.
**International Chain:** Similarly within the international value chain it is possible to identify broadly four kinds of networks (Figure 4). The chains could be relatively longer or shorter depending on the number of agents in the chain.

a) Usually the international value chain starts from either retailer or buying house. It then proceeds to exporters in Delhi who in turn outsource to contractors in Bareilly, then to sub contractors and finally reaches workers. This chain includes all the agents.

b) The shorter chain start from retailer or buying houses and then proceeds to exporters in Delhi who in turn outsource to contractors in Bareilly. Then contractors directly subcontract the work to home-based workers. This chain avoids subcontractors.

It is possible that the form and length of chains within the export and domestic segments reflect different market segments and also signify differences in the power exercised by agents. In this field study we were not able to gather enough information to follow this hypothesis empirically.

**Figure 3: Agents in Domestic Chain**

![Diagram of Agents in Domestic Chain]

- Wholesale traders in Delhi
- Retailers in Delhi
- Wholesale traders in Bareilly
- Contractors
- Subcontractors
- Enterprises
- Home based workers
- Hired workers
4. Governance

The chains, both international and domestic, are largely governed through two kinds of control: (i) control through work process; and (ii) control through social institutions.

The lead firms in buyer driven chains exert its control over the work process through a set of parameters relating to design, lead time, quality controls, age of workers, dual system of hiring workers and informalisation of workers. Besides the control over work process, the industry is also largely structured around social institutions and space.

a) **Control over the Work Process**

**Control through Design:** One major control exerted by lead firms over the work process is through designs. The earnings of the agents, especially, workers at the bottom level are very much dependent on the design. The earnings are higher from intricate and heavy designs. The discussion with exporters in Delhi revealed that current fashion in vogue in the export market is minimum amount of embellishment, or “a dash of sparkle”. As a result most of the export products including tops and accessories such as bags, hair bands outsourced to Bareilly requires less intricate work. This is quite reflected in the earnings of workers where the difference in earnings from export and domestic products are very minimal.
**Control through Lead Time:** Another major control is through lead time. The lead time in embellishment industry like any other buyer driven chain is very short and its impact is felt all along the value chain and the final squeeze falls on the labour (Ludvic, 2008). The time starting from issuance of purchase order to the delivery of goods is defined as the lead time. This lead time consists of three processes - pre-production approval, production of goods and delivery of goods. The pre-production approval is a method of control used by the retailer or buying agent and requires the exporter to get a final approval of the sample before beginning the production. This can involve a number of tedious processes such as approval of fit, dip, fabric, printing and the final sample and this takes a lot of time since the buyer make frequent changes.

While the lead time is supposed to be decided with scientific calculations of the time required for each process, none of these can be accurately predicted for the Indian conditions. So for example, cloth dyeing is expected to take 3-4 days. However, if the conditions turn wet due to rains the process can extend to 5-7 days. The entire calculation is upset, if it is ever actually done. This becomes a method by which the buyer maintains control over the value chain.

The contractors are subjugated to the orders they receive from the exporters and struggle to deliver on time. If the products are not delivered on time, the exporter has to pay heavy discounts, and the orders are cut. Most often they cannot sell that product in India, because the sizes of women in foreign and our countries are different, the tastes of designs and colours are different. The exporter, therefore, put a lot of pressure on contractors and consequently on all agents down the chain to deliver on time.

Here we find a great difference between the contractors operating in the export value chain and those in the domestic chains. The export chains subject the contractors to a large number of controls, particularly by holding on to their lead time specification. The delivery date is adhered to by the exporters and if the contractors are unable to deliver they are left with the products which hardly have any demand in the local market.

In this process the easiest way to recover the costs was from the labour. Usually rejections on the basis of delivery time and quality were passed on to the workers. There would be deductions on the wages for the failure to satisfy the quality requirements. Sometimes the entire wages would be deducted and workers are left with the products which hardly have any
demand in the domestic market. As a result a major share of the risk falls on the workers.

In contrast, the domestic market is much more relaxed. The delivery dates are extendable and rejections are very little as reported by our sample contractors and workers. Most workers, therefore, told us that they preferred to work for the domestic industry. Even in the case of a rejection the products, which are mainly saris and salwar suits, could be easily sold for a slightly lower price in the local or any other market.

**Quality Checks:** When the exporters outsource to Bareilly they keep a tab on quality in various ways. The raw materials are sent to the workers, the products are checked and the alterations are done, if required. The contractor brings the goods to the exporter in Delhi and he also brings along a few workers. The exporter’s employees check the pieces, if there are minor faults the repairs are done here by the contractors, who are often skilled artisans, and the workers who come with him. If there is a major fault, the product goes back to Bareilly where the workers have to re-do the product. So some form of control is applied to the contractors and workers. In case of faults the burden on the time and wages and work orders of the worker is tremendous.

**Control through Dual System of Hiring:** Another mode of control exerted by contractors/subcontractors is through dual system of hiring - the hiring of workers to work in enterprises and home-based workers whose workplace is at home. The urgent work orders and quality products are usually done in enterprises though hired workers. The hired workers are paid in time rate since time is an important factor. On the other hand, home-based workers are paid in piece rate and they usually work on less skilled products. The result is that the hired workers obtain higher daily earnings than the home-based workers. This dual system of hiring caters to the needs of flexible production.

**Control through Age:** Control is also exerted through the age of the worker. The workers mostly belong to younger age group and are mostly unmarried. Our field work reveals that as the age and experience increases, the wage also rises. So recruiting younger workers could be a means to keep the wages depressed. Also the strenuous physical demands involved in the embellishment activity also could be a possible reason for recruitment of younger workers. The workers in this industry do not last for very long and eyesight deteriorates with working on intricate designs in poor light.
Bad posture also leads to body aches and other health problems. The older workers then have to fall back on agricultural or other unskilled labour with much lower wages.

**Control through Casualisation:** Another method of control is through casualisation of labour. The volatility in work orders demands flexible production process. The contractors/subcontractors are not keen to employ a worker for a longer time. The fear that they may have to yield to the demands of workers prompts contractors/subcontractors to informalise labour relations. In fact, controls through the dual system of hiring and age help to keep the workers in informal and casualised work situations as a flexible workforce.

**b) Control through Social Structures**

The controls are exercised through various social institutions and structures also. Religion, caste, gender and space mediate in the accumulation process. Such mediations are reflected in the difference in earnings, mode of payment, type of products, mobility and mode of working.

**Religion and Caste:** The embellishment industry is mainly segregated in terms of religion and caste. The unorganized sector of the embellishment industry, consisting of workers, sub-contractors and contractors, is largely dominated by Muslims (Table 2). On the other hand, wholesalers and exporters in the organized sector consist of only non-Muslims. The majority of exporters are upper caste Hindus. The wholesalers in Bareilly mainly consist of upper caste Hindu, Jain and Sikh.

**Table 2: Religion-wise Distribution of Agents in the Value Chain**

<table>
<thead>
<tr>
<th>Category</th>
<th>Hindu</th>
<th>Muslim</th>
<th>Jain</th>
<th>Sikh</th>
<th>Christian</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporters</td>
<td>75.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25.0</td>
<td>100 (4)</td>
</tr>
<tr>
<td>Wholesalers</td>
<td>33.3</td>
<td>-</td>
<td>33.3</td>
<td>33.3</td>
<td>100 (3)</td>
<td></td>
</tr>
<tr>
<td>Contractors</td>
<td>-</td>
<td>100.0</td>
<td>33.3</td>
<td>33.3</td>
<td>100 (16)</td>
<td></td>
</tr>
<tr>
<td>Sub Contractors</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>100 (11)</td>
<td></td>
</tr>
<tr>
<td>Enterprises</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>100 (28)</td>
<td></td>
</tr>
<tr>
<td>Workers</td>
<td>5.3</td>
<td>94.7</td>
<td>-</td>
<td>-</td>
<td>100(57)</td>
<td></td>
</tr>
<tr>
<td>Hired</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>100 (28)</td>
<td></td>
</tr>
<tr>
<td>Home-based</td>
<td>11.1</td>
<td>88.9</td>
<td>-</td>
<td>-</td>
<td>100 (27)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.1 (7)</td>
<td>91.5 (109)</td>
<td>0.8 (1)</td>
<td>0.8 (1)</td>
<td>0.8 (1)</td>
<td>100 (119)</td>
</tr>
</tbody>
</table>

Source: Field survey.
Our analysis also reveals that a caste based hierarchy is followed within the unorganized sector of the embellishment industry. The Sachar Committee Report (2006) brought out the caste system within the Muslim community. There are broadly three broad categories\(^2\): (i) ‘ashraf’, the high caste meaning nobles and included Muslims with foreign blood, such as Khans, Pathans, Sheikhs, Hussains etc.; (ii) ‘ajlaf’, the low clean occupational groups or middle group consisting of Ansaris (julaha or weavers), Darzi (tailor) Kunjra (vegetable seller); and (iii) ‘arzal’, the lowest or unclean castes such as Hazam (barber). The majority of the workers belong to OBC Muslims such as Ansaris, who were traditionally weavers (julaha) (Table 3). The sub-contractors also belong to OBC Muslims. A major share of the contractors, on the other hand, belongs to upper caste Muslims such as Khans. Some of the so-called higher caste Muslims, such as Sheikhs and Pathans are found to be workers. Perhaps their pre-market conditions in terms of access to education and traditional capital might have deteriorated over time so that they currently face discrimination in labour market. There are a few Hindu workers and they mostly belong to OBC Hindus. Such caste-based hierarchies in unorganized sector are observed elsewhere too (Centre for Education and Communication, 2008).

Table 3: Caste-wise Distribution of Agents in Value Chain

<table>
<thead>
<tr>
<th>Category</th>
<th>Ansari</th>
<th>Khan</th>
<th>Mirza</th>
<th>Hussain</th>
<th>Shah</th>
<th>Pathan</th>
<th>Avi</th>
<th>Sheikh</th>
<th>Manhar</th>
<th>Hindu</th>
<th>OBC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors</td>
<td>43.8</td>
<td>31.2</td>
<td>-</td>
<td>25.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100 (16)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub Contractors</td>
<td>81.8</td>
<td>-</td>
<td>9.1</td>
<td>9.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100 (11)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprises</td>
<td>67.9</td>
<td>14.3</td>
<td>7.1</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
<td></td>
<td></td>
<td></td>
<td>100 (28)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers</td>
<td>70.2</td>
<td>-</td>
<td>1.8</td>
<td>-</td>
<td>1.8</td>
<td>1.8</td>
<td>7.0</td>
<td>10.5</td>
<td>1.8</td>
<td>5.3</td>
<td>100 (57)</td>
<td></td>
</tr>
<tr>
<td>1.Hired</td>
<td>76.7</td>
<td>-</td>
<td>-</td>
<td>3.3</td>
<td>-</td>
<td>6.7</td>
<td>10.0</td>
<td>3.3</td>
<td>-</td>
<td>100 (30)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.Homebased</td>
<td>63.0</td>
<td>-</td>
<td>3.7</td>
<td>-</td>
<td>3.7</td>
<td>7.4</td>
<td>11.1</td>
<td>-</td>
<td>11.1</td>
<td>100 (27)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>67.0 (75)</td>
<td>8.0 (9)</td>
<td>3.6 (4)</td>
<td>5.4 (6)</td>
<td>1.8 (2)</td>
<td>1.8 (2)</td>
<td>3.6 (4)</td>
<td>5.4 (6)</td>
<td>0.9 (1)</td>
<td>2.7 (3)</td>
<td>100 (112)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field survey.

The segregation in the labour market is reflected in the earnings of the agents also. The average daily earnings of workers are least compared to other agents in the embellishment industry. The average daily earnings of workers are around Rs.70 per day (Table 4). These wages are less than half the stipulated

\(^2\) This categorization within the Muslim community is based on Sachar Report (2006) and Alam (2009).
minimum wages for unskilled workers in Uttar Pradesh. The minimum wages for unskilled workers in Uttar Pradesh is around Rs.160 and for skilled workers Rs.202 as of May 2009. The product wise earnings show that there are not much difference in the earnings from domestic and export products.

**Table 4: Average Daily Earnings of Workers by Products**

<table>
<thead>
<tr>
<th>Product</th>
<th>Average daily earnings (in Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saree</td>
<td>68.90 (38)</td>
</tr>
<tr>
<td>Suit</td>
<td>67.71 (34)</td>
</tr>
<tr>
<td>Dupatta</td>
<td>77.42 (24)</td>
</tr>
<tr>
<td>Lehenga</td>
<td>69.15 (13)</td>
</tr>
<tr>
<td>Domestic Items</td>
<td>70.44 (109)</td>
</tr>
<tr>
<td>Export Items</td>
<td>69.52 (31)</td>
</tr>
<tr>
<td>Total</td>
<td>70.44 (140)</td>
</tr>
</tbody>
</table>

Note:  N is not equal to sample size of workers since one worker may work on more than one product.

Source: Field survey.

The agents in the organized sector have relatively higher earnings than those below in the value chain. The wholesale traders in Bareilly shows annual sales turnover above Rs.10 lakh (Table 5). The annual turnover of the exporter we met in Delhi was in tens of millions. Most of the exporters have 3-26 garment factories. Around 50 percent of the contractors in the unorganized sector too show an annual sales turnover above Rs. 10 lakh. On the other hand, the scale of operations of major share of subcontractors (81 per cent) is relatively lower. They have an annual sales turnover less than Rs. one lakh only.

**Table 5: Annual Sales Turnover by Agent**

<table>
<thead>
<tr>
<th>Annual Sales Turnover (Rs.)</th>
<th>Wholesaler</th>
<th>Contractor</th>
<th>Sub Contractor</th>
<th>Enterprise</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 Lakh</td>
<td>12.5 (2)</td>
<td>81.8 (9)</td>
<td>7.1 (2)</td>
<td></td>
<td>22.4 (13)</td>
</tr>
<tr>
<td>1 lakh to 10 lakh</td>
<td>43.8 (7)</td>
<td>18.2 (2)</td>
<td>82.1 (23)</td>
<td></td>
<td>55.2 (32)</td>
</tr>
<tr>
<td>More than 10 lakh</td>
<td>100 (3)</td>
<td>43.8 (7)</td>
<td></td>
<td>10.7 (3)</td>
<td>22.4 (13)</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N</td>
<td>3</td>
<td>16</td>
<td>11</td>
<td>28</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: Field survey.
**Gender:** Gender is an important institution that mediates the bargaining position of workers. The gender, caste, class and religion are intertwined in such a way that the workers, especially, home-based workers face more severe job-market discrimination. This is quite reflected in their earnings, type of products and sources of mobility.

The women constitute majority of the home-based workers in the embellishment industry. The share of women in home-based work is around 89 per cent (Table 6). On the other hand, a gender-wise analysis of the value chain shows that only men constitute hired workers, sub contractors, contractors, whole sale traders and exporters. The hired workers are those working in enterprises.

**Table 6: Distribution of Value Chain by Gender**

<table>
<thead>
<tr>
<th>Category</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporters</td>
<td>100</td>
<td>-</td>
<td>100 (4)</td>
</tr>
<tr>
<td>Wholesale traders</td>
<td>100</td>
<td>-</td>
<td>100 (3)</td>
</tr>
<tr>
<td>Contractors</td>
<td>100</td>
<td>-</td>
<td>100 (16)</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>100</td>
<td>-</td>
<td>100 (11)</td>
</tr>
<tr>
<td>Enterprises</td>
<td>100</td>
<td>-</td>
<td>100 (28)</td>
</tr>
<tr>
<td>Workers</td>
<td>57.9</td>
<td>42.1</td>
<td>100 (57)</td>
</tr>
<tr>
<td><strong>1.Hired</strong></td>
<td>100</td>
<td>-</td>
<td>100 (30)</td>
</tr>
<tr>
<td><strong>2.Home-based</strong></td>
<td>11.1</td>
<td>88.9</td>
<td>100 (27)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>79.8</td>
<td>20.2</td>
<td>100 (119)</td>
</tr>
</tbody>
</table>

Source: Field survey.

The earnings and number of days of work are highly gendered. The gender wise analysis shows that the average daily earning of the home-based workers is just half of the earnings of the hired workers (Table 7). The average daily earnings of home-based workers are only around Rs. 45 compared to the earnings of hired workers which is around Rs. 90. The home-based workers also reported lesser number of days of work compared to hired workers.
Table 7: Average Daily Earnings of Home-Based Workers and Hired Workers

<table>
<thead>
<tr>
<th>Products</th>
<th>Average daily earnings of HBW (in Rs.)</th>
<th>Average daily earnings of Hired workers (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saree</td>
<td>44.25 (16)</td>
<td>86.82 (22)</td>
</tr>
<tr>
<td>Suit</td>
<td>41.80 (15)</td>
<td>88.16 (19)</td>
</tr>
<tr>
<td>Dupatta</td>
<td>43.29 (7)</td>
<td>91.47 (17)</td>
</tr>
<tr>
<td>Lehanga</td>
<td>37.40 (5)</td>
<td>89.00 (8)</td>
</tr>
<tr>
<td>Domestic Items</td>
<td>42.44 (43)</td>
<td>88.67 (66)</td>
</tr>
<tr>
<td>Export Items</td>
<td>51.84 (19)</td>
<td>97.50 (12)</td>
</tr>
<tr>
<td>Total</td>
<td>45.32 (62)</td>
<td>90.15 (78)</td>
</tr>
</tbody>
</table>

Source: Field survey.

The discrimination in earnings are largely due to ‘gendering’ in products outsourced to home-based workers. The home-based workers mostly work on less expensive products that require less skill. Such a situation is clearly reflected in their earnings. A product wise analysis shows that home-based workers earn less irrespective of type of products. The exports products such as tops and accessories (bags, hair bands, and tops) that require less skill are usually outsourced to home-based workers who sit at home and work. The discussions with contractors in export market revealed that they usually outsource work to those sub contractors “who are having at least fifty home-based workers with them”. In the domestic market too, women home-based workers are not much engaged in the embellishment of expensive products such as dupattas and salwar suits that require more intricate work. The contractors emphasized that they do not outsource expensive domestic products since “women do not have any time and skill to work on those items”. The home-based workers face fewer choices in work due to competition in the labour market. They have reported that they are interested in working on domestic products since rates are better and risk is less. The rejections on the basis of quality parameters and delivery time are quite common with regard to export products while such risks are less in domestic products.

There are gender wise differences in the mode of payment also. The home-based workers are paid in piece rates while hired workers in hourly rate.
The piece rates differ among products and are design specific. The primary reason for outsourcing to home-based workers are lower cost of labour. They have a weak bargaining position. According to them “if we bargain then he would give it to the next person”.

The women home-based workers are completely integrated to vertical subcontracting. Such a situation has affected their mobility within the value chain. The women home-based workers are more dependent on middle men for work orders and market outlet. The lack of freedom over physical mobility could be a major reason for their complete dependence on middle men. Muslim women face severe restrictions on their physical mobility and their movements are largely restricted to in and around mohallas. Many women in the villages reported that they haven't seen even Bareillyph town. It is usually the men in the household who bring work for them.

The male hired workers gain mobility within the value chain due to their freedom over physical mobility. After a certain point of time they upgrade their status to sub contractors and contractors. Our observations during field work revealed that most of the contractors have earlier worked as karkhana or enterprise workers in big cities. The hired workers after gaining some experience in enterprises usually out migrate to big cities such as Delhi, Jaipur and Patiala to work in karkhanas of big export houses or retailers. These karkhanas provide employment for a period of 6-8 months in a year and offer better payment. During the off season, they come back to their village and mostly work as home-based workers. They subsequently upgrade themselves as contractors over a period of time. These options for upward mobility are not available to the women home-based workers.

**Space:** The labour market in embellishment industry is largely structured around space. The organization of production differs across space and mediates the pathways of accumulation in chains (Harris-White, 2003:200). Hence the space is an important node that discriminates labour market outcomes such as earnings, type of products and mode of payment.

The unorganized sector of the embellishment industry is largely organized around urban and rural areas of Bareillyph. The epicentre of production in Bareillyph is urban areas. The major share of big contractors along with wholesale traders is based in Bareillyph town (Table 8). The workers, especially, home-based workers are almost equally divided among rural and urban areas. But our survey shows the presence of more hired workers in rural peripheries of Bareillyph. The majority of the subcontractors are also based
in rural areas. On the other hand, exporters and wholesale traders are mostly based in metros such as Delhi.

**Table 8: Spatial Distribution of Value Chain**

<table>
<thead>
<tr>
<th>Status</th>
<th>Towns</th>
<th>Villages</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale traders</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Contractors</td>
<td>13</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Sub-contractors</td>
<td>4</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Enterprises</td>
<td>18</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Workers</td>
<td>25</td>
<td>32</td>
<td>57</td>
</tr>
<tr>
<td>1. Hired</td>
<td>11</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>2. Home-based</td>
<td>14</td>
<td>13</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Field survey.

There is spatial discrimination in terms of earnings of workers. The earnings in rural areas are relatively lower than urban areas in Bareilly. The earnings of workers both hired and home-based are lower in rural areas than urban areas (Table 9). The hired and home-based workers in rural areas are disadvantaged compared to their counterparts in urban areas.

**Table 9: Rural-Urban Differences in Average Earnings of Workers**

<table>
<thead>
<tr>
<th>Product</th>
<th>Average daily earnings (in Rs.)</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saree</td>
<td>70.80 (22)</td>
<td>66.21 (16)</td>
<td>68.90 (38)</td>
<td></td>
</tr>
<tr>
<td>Suit</td>
<td>67.99 (15)</td>
<td>67.49 (19)</td>
<td>67.71 (34)</td>
<td></td>
</tr>
<tr>
<td>Dupatta</td>
<td>71.50 (12)</td>
<td>83.32 (12)</td>
<td>77.42 (24)</td>
<td></td>
</tr>
<tr>
<td>Lehanga</td>
<td>59.41 (10)</td>
<td>101.66 (3)</td>
<td>69.15 (13)</td>
<td></td>
</tr>
<tr>
<td>Domestic Items</td>
<td><strong>68.79 (59)</strong></td>
<td><strong>72.95 (50)</strong></td>
<td><strong>70.44 (109)</strong></td>
<td></td>
</tr>
<tr>
<td>Export Items</td>
<td><strong>65.63 (23)</strong></td>
<td><strong>80.64 (8)</strong></td>
<td><strong>69.52 (31)</strong></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td><strong>67.91 (82)</strong></td>
<td><strong>74.01 (58)</strong></td>
<td><strong>70.44 (140)</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note: Bracketed figures are number of workers.
Source: Field survey.

The wage differential in rural and urban areas may be due to larger differences in the type of products outsourced to peripheries. The workers in the rural areas are mostly engaged in the embellishment of less expensive products. The major shares of the products in the export market are outsourced to
rural areas. The cheaper export products like tops and accessories that include bags, hair band, and belt dominate the export scenario. The work on expensive export items such as party gown and tops with intricate designs are restricted to urban areas. Similarly, the embellishments on expensive domestic products such as dupattas and salwar suits that require intricate skill are also limited to urban areas only. The reasons for these differences need further exploration. It is possible that more intricate work is undertaken in the urban areas due to lower lead time, need to exercise more control in terms of quality checks etc or also because the more skilled workers have migrated to the urban areas. The opposite may be true for the rural areas, where the less skilled workers remain concentrated.

There are spatial differences in the mode of payment too. The hired workers in urban areas are paid on the basis of naphiri. One consists of 8 hours. On the other hand, such a system is absent in rural areas. This could be one possible reason for differences in earnings between rural and urban workers. The wage for a naphiri ranges from Rs.80 to Rs.150 depending on the skill and age of the worker. Similarly, the enterprises in metros such as Delhi and Jaipur also work on naphiri system. But in metros a naphiri consists of 12 hours and the minimum prevalent rate is Rs. 250 per naphiri. Such a mode of payment is in complete contrast with the rural areas of Bareilly, where hired workers are paid only on hourly basis. The prevalent hourly rate is Rs.10.

5. Conclusion

Globalization has integrated production systems in global chains. We use the perspective of GCC framework and social embeddedness to understand the organizational and social linkages in the embellishment production network in garment industry. We have mapped the value chain in terms of the production process and through the network of agents. Such mapping helped to identify two types of governance structures: control over work processes and control through social institutions. The lead firms in developed countries control the production network in peripheries through design, lead time and quality parameters. The flexibility in production is largely materialized through dual system of hiring workers and informalisation of labour. The embellishment production networks, both international and national, are also submerged in the existing social structures based on religion, caste, gender and space. We show how these institutions affect the earnings, product outsourcing and mode of payment of different agents in the network.
Further we note that there are subtle differences between export and domestic chains in terms of the governance structures or controls used. In the export chain, where governance is through the production process itself, lead time and quality parameters play a crucial role in controlling the agents. These pressures are passed on to the agents lower down the chain and final squeeze falls on the workers in the form of wage cuts and deferred payment. In the domestic chain lead time and quality parameters are much more relaxed compared to international chain, and governance is through a much more subtle system of social structures. The differences in the controls through social institutions and structures are also subtle between international and domestic chains. The comparative advantage in the cost of labour in international chain is largely realized through outsourcing to home-based workers, mostly women. Similarly space also mediates in the accumulation process as most of the workers engaged in export products reside in rural areas of Bareilly, where wages are lower.

Finally, the study sheds some light on the implications of entry into and exit from the international chain for workers including home-based workers. The literature emphasizes entry into global production network as a necessity for upgradation in peripheries (Gereffi, 1999; Schmitz and Knorringa, 2000). But as our study shows such a hypothesis does not hold true at least in the bottom level of the chain among enterprises and workers. Given a choice, enterprises and workers prefer to work in the domestic chain compared to international chain. Working in export market is risky and uncertain due to strict controls through lead time and quality parameters. The earnings from export products are not adequate enough to compensate for the risks and uncertainties associated with it. Also there are no evidences which show improved working conditions for those workers engaged in the global network. Of course, there are attempts on the part of international agencies through alliance with international retailers to ‘clean’ the international chain. But their actions remain futile due to structural factors. The social embeddedness of the network ensures that agents choosing to opt out of the international chain are able to insert themselves in the domestic chain more or less on equal terms.
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