

GOVERNANCE STRUCTURE AND LABOUR MARKET OUTCOMES IN GARMENT EMBELLISHMENT CHAINS

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Globalisation has led to large scale outsourcing of production activities to developing countries manifesting in global commodity chains. The perspective of global commodity chain or GCC framework and social embeddedness is used to understand the organisational and social linkages in the embellishment production network in garment industry. The findings are based on the fieldwork conducted in Bareilly situated in Uttar Pradesh, an important centre of embellishment activity in India. The mapping of the value chains in terms of the production process and through the network of agents helped to identify two types of governance structures: control over work processes and control through social institutions. The paper find subtle differences between export and domestic chains in terms of the governance structures or controls used. It also sheds some light on the implications of entry into and exit from the international chain for workers including home based workers. 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. The paper also does not find evidence to show improved working conditions for those workers engaged in the global network. 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.

I. INTRODUCTION

The process of liberalisation that is currently underway has led to a change in the way production is organised. The production process has been decentralised with a wide range of activities being sub-contracted to small firms and home-based workers, in an attempt to increase profits and marketability. Firms are being pushed into outsourcing or sub-contracting because of increasing economic costs and heavy competition, and to circumvent labour legislation. One set of literature clearly argues that sub-contracting is the most 'efficient' form of production organisation (Coase, 1937; Williamson, 1975), while another set of literature clearly shows such relations to be exploitative (Romatet, 1983). Similarly, the early empirical literature in India argued that the sub-contracting inter-firm linkages were exploitative (Bose, 1978; Banerjee, 1988; Harriss, 1982). However, the more recent literature argues that this is an efficient form of production organisation, though the attendant exploitation of labour is implicitly mentioned (Basant and Chandra, 2002; Morris and Basant, 2004).

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The exploitative nature of work within the sub-contracting chain is more likely to occur in informal enterprises and home-based situations.

Globalisation or the integration of global production systems has led to the shift of global capital to developing countries, which is being manifested 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 a producer-driven chain, 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 knowhow. There is little scope for sub-contracting to households in such chains. In buyer-driven chains, large retail companies and buying agents control the network. Such chains are normally seen in the production of labour-intensive goods such as garments, sports goods, etc. The profitability in these chains arises 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 characterised by 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 the 94 per cent of the units and nearly 70 per cent of the employment are in the informal enterprises, which has witnessed large growth in the recent period (Unni and Rrani, 2008). Embellishment is an important node in the production network of the garment industry. This activity symbolises high value addition to a cloth material. According to one estimate, once the embellishment is done on a cloth material, its value almost doubles as compared to a cloth 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, which sub-contract work down to the informal enterprises and home-based workers based in the peripheries of core regions within a developing country.

This study is focused on the delineation of organisational and social dimensions of the embellishment production network in the garment industry. The production network of the 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 twofold: firstly, 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

secondly, to understand the governance structure in embellishment chains through controls over the work processes and social structures.

II. GLOBAL COMMODITY CHAIN FRAMEWORK AND SOCIAL EMBEDDEDNESS

Gereffi (1994) conceptualised 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 wherein the consumption took place to the peripheries wherein the production took place. The global commodity chain (GCC) framework analysed the relations between the core regions of the world and the periphery, how export opportunities are generated for rather than by the Third World actors, and how niches are opened or vacated within the network of global production (Sverrisson, 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 the 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 a global production network where lead firms located in the developed countries dictate terms and conditions to actors in the peripheries, the same framework is useful for analysing the hierarchical relationship in domestic commodity chains also.

The GCC framework lays emphasis on 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 the commodity with no acknowledgement of the power relationships underlying such a chain. An example is the supply chain or cluster development studies designed from the perspective of lead firms in the developed countries to ensure the steady and economic supply of commodities from the peripheries (for instance, see Awasthi, *et al.*, 2007; Singh, 2006).

The GCC framework provides useful insights into 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, the concept of social embeddedness by Granovetter (1985) is found to be 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 organised in terms of class, religion, caste, gender, and also space. Such an approach involves the mapping of the social relationships/linkages in a chain. Labour forms an important element in the chain and is the major criterion for large-scale outsourcing to peripheries. Capitalists are able to absorb the cheap labour embedded in a social structure into their production

networks (Rammohan and Sundaresan, 2003).

The present study, while using the perspective of the GCC framework and social embeddedness, focuses 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 (for example, see Rammohan and Sundaresan, 2003). The literature on GCC stresses that it is essential to enter into the global production networks of lead firms in the developed countries to facilitate the upgradation of different nodes of production in the developing countries. The upgradation in this literature is generally viewed within the narrow economic approach of adding high value services and manufacturing capabilities. But here, an attempt is being made to understand the implications of entry into transnational networks from the perspective of agents, especially workers. What does entry into the global production network mean to them? Does it mean improved working conditions or wages? How do they exercise their choices, given the choice of working in both global and domestic chains? This study, which is exploratory in nature, may help shed some light on the above questions.

The city of Bareilly in western Uttar Pradesh has been chosen as the site for the fieldwork of the study. It is one of the biggest centres in India where embellishment activity is undertaken on a large scale.¹ 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 sequins are stitched on to garments including *saris*, in 'cobbler-like' stitches. This kind of embellishment has become a rage in the country during the last 4-5 years and is very popular with both the younger and older generations. This slightly flashy style of dress has even permeated down to the southern states otherwise known for their woven cottons and silks. This trend has invaded the export market too and various garments like tops and skirts, and accessories such as bags, belts, hair bands and even slippers are being embellished with such work. The main centres from where the contractors in Bareilly got the orders were found to be Delhi, Jaipur and Ludhiana. For the purpose of mapping the entire chain, Delhi was chosen as the hub at the top of the chain.

The empirical accounts for the study are mainly drawn from the fieldwork in Bareilly and Delhi. The samples of actors in the embellishment chain in Bareilly were selected through the purposive sampling method and were interviewed through a structured schedule. The agents that were identified included 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, case studies and informal interviews have also been used to identify value chains and to gather qualitative information.

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 the UK reported that "the comparative advantage of Bareilly lies in its low price. If products are over-priced, then the production may shift from Bareilly". The wholesale traders in Delhi engaged in the domestic market

also reported the same. According to them, in Bareilly, it is possible to work on a full sari for Rs. 2700 but in Delhi, the same may cost around Rs. 3500. This fortifies the argument that the comparative advantage of Bareilly lies in its relatively lower labour cost. Besides offering cheap labour, the region is also historically famous for its specific kind of work. The intricate work using fancy materials such as big sequins, *sitaras* (stars) and *motis* (beads) 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 the average number of years of formal schooling of embellishment workers for both hired and home-based workers is just 4 years (see Table 1). Many of them drop out of school at a very early stage and there is a high incidence of child labour among them. The situation of wholesale traders and exporters, who are placed much higher than the workers in the chain, is in complete contrast to that of the people placed at the bottom of the chain. The fieldwork for this study reveals that wholesale traders and exporters have an average of 12 and 15 years of formal schooling, respectively.

Table 1
Average Years of Schooling

| <i>Status</i> | <i>Average years</i> | <i>N</i> |
|----------------------|----------------------|----------|
| Wholesalers | 11.67 | 3 |
| Contractors | 5.25 | 16 |
| Sub-contractors | 6.73 | 11 |
| Workers | 3.88 | 57 |
| 1. <i>Hired</i> | 4.93 | 30 |
| 2. <i>Home-based</i> | 2.70 | 27 |
| Total | 5.41 | 87 |

Source: Field Survey.

The lack of access to alternative resources, together with the abundant supply of skilled workers, has increased competition in the labour market. There is a large reservoir of unemployed skilled workers because of the lack of alternative employment opportunities. Being part of a region traditionally associated with *zari* work, almost all the households, especially those of Muslims, have been engaged in this work for generations. Such a situation has created huge competition in the labour market and weakened the bargaining power of the workers. This is evident from the authors' interviews with wholesale traders in Bareilly. During the study, one of the wholesale traders was asked, "What is the guarantee that workers won't run away with your materials?" He laughed at the question and said, "Where will they go with these materials?" The response of the wholesaler shows the weak bargaining power of the labourers due to structural constraints.

The access of the workers 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 workers belonging to their respective communities.

The workers do not have any formal skill training and their only source of information regarding new patterns and technology in the embellishment trade constitute informal networks comprising their kin and community. There is also lack of dependence on formal institutions such as the state for availing credit facilities. The authors' interaction with workers revealed that the 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. There is also a deep sense of the insecurity of belonging to a minority religion among workers and contractors. Many of them claimed, "We are minorities, so no one will help us".

III. MAPPING OF THE PRODUCTION AND AGENTS IN AN EMBELLISHMENT CHAIN

The value chains in the garment industry can be mapped in two ways. Traditionally, the value chain is mapped through its production process, from raw materials to the finished product. This method is useful for understanding governance through the production process. The value chain has also been mapped 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.

1. Production Process

The value chain of the garment industry consists of the entire process from the production of the cloth by the textile mills to the production and sale of the garments. Here, the focus is 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 the garment industry. There are small differences in the way the production processes are organised in the two chains.

(i) 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 wherein the production of the garments takes place (see Figure 1). These units obtain the fabric from the textile mills in Surat or Mumbai, or even obtain materials imported from China. The designs are usually developed by the designers employed by exporters. These designs are handed over to contractors and 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 the quality of the embellishment work. After the embellishment work is done, the fabric is washed and returned to the exporter. The process of checking for the embellishment is undertaken 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 the US or UK, and have a high value addition component.

(ii) Domestic Value Chain

In the case of the domestic value chain, the wholesale traders/retailers are generally the final traders of the finished garments, and unlike the exporters, they do not undertake much of the production activity itself (see Figure 2). However, in the case of garment embellishments, they do organise part of the production process. The designs are generally obtained by the wholesalers from the master craftsmen, who are often the traditional and most skilled artisans in 'adda' work. The wholesalers place the order for the garments with the contractors, who organise most of the garment embellishment activity, including buying the fabric and fancy materials, and sub-contracting the work to sub-contractors or enterprises. The embellished garments are then collected back and washed by contractors. The final product returns to the wholesalers.

2. Network of Agents*(i) Domestic Chain*

Within the domestic value chain, broadly four kinds of networks are observed (see Figure 3). Two chains are relatively longer as compared to the others.

- (a) The wholesale traders or retailers in Delhi outsource work to wholesale traders in Bareilly, who, in turn, outsource it to contractors in Bareilly. Then, the chain proceeds to sub-contractors 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 get work from wholesalers/retailers in Bareilly, may directly outsource the work to home-based workers, thereby over-riding sub-contractors.

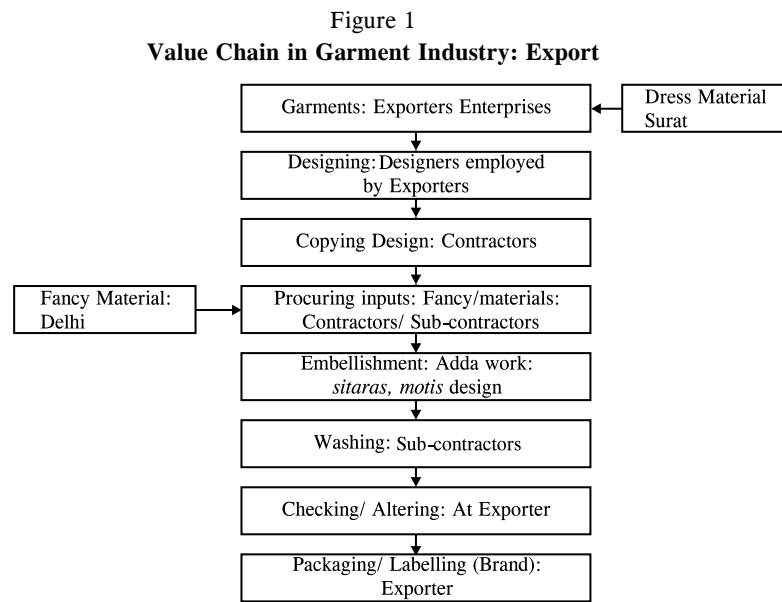
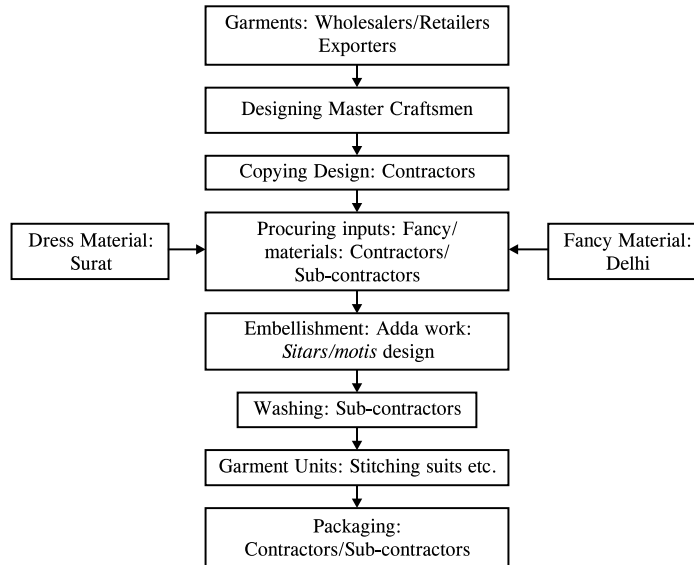


Figure 2
Value Chain in Garment Industry: Domestic



- (c) The wholesale traders/retailers in Delhi may directly sub-contract the work to contractors in Bareilly, and then the chain proceeds to sub-contractors and finally reaches the workers. This chain overlooks wholesale traders in Bareilly.
- (d) It is also possible that chain (c) mentioned above bypasses sub-contractors and directly reaches workers. This chain avoids two agents, viz. wholesale traders in Bareilly and sub-contractors.

(ii) International ChainA

Similarly, within the international value chain, it is possible to identify broadly four kinds of networks (see Figure 4). The chains could be relatively longer or shorter depending on the number of agents in the chain.

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

The shorter chain starts from the retailers or buying houses and then proceeds to exporters in Delhi, who, in turn, outsource the work to contractors in Bareilly. Then the contractors directly sub-contract the work to home-based workers. This chain avoids sub-contractors.

IV. GOVERNANCE

Both the international and domestic chains are largely governed through two kinds of control: (a) control through the work process, and (b) control through social institutions.

The lead firms in buyer-driven chains exert their control over the work process through a set of parameters relating to design, lead time, quality controls, the

Figure 3
Agents in Domestic Chain

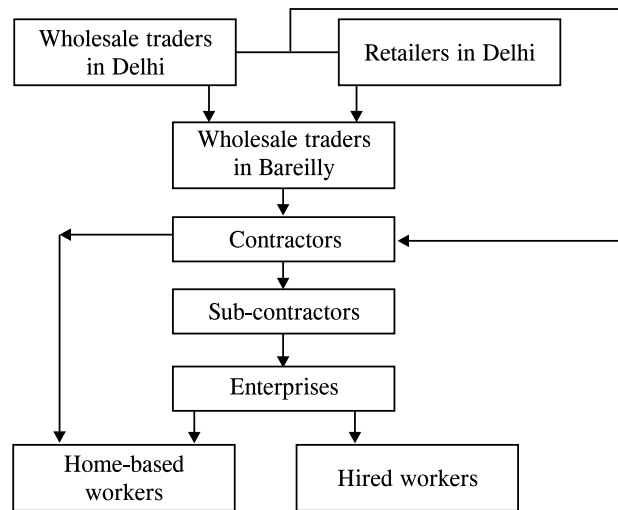
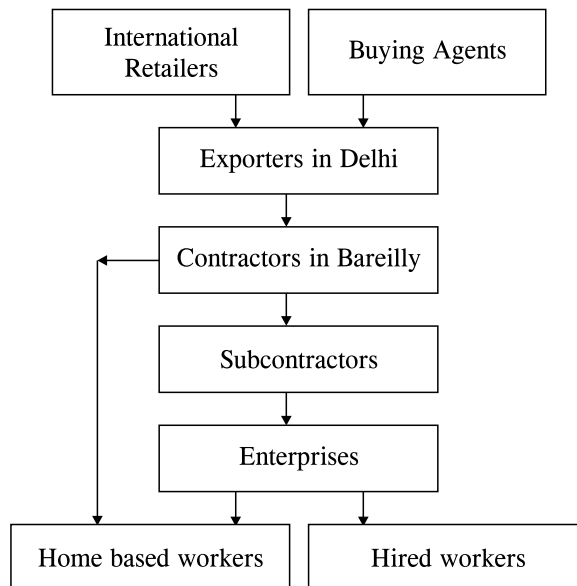


Figure 4
Agents in International Chain



age of workers, the dual system of hiring workers, and informalisation of workers. Besides the control over the work process, the industry is also largely structured around social institutions and space.

1. Control over the Work Process

(i) 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 largely dependent on the design. The earnings from intricate and heavy designs are higher. Discussions with exporters in Delhi revealed that the current fashion in vogue in the export market is a minimum amount of embellishment, or 'a dash of sparkle'. As a result, most of the export products including tops and accessories such as bags and hair bands that are outsourced to Bareilly require less intricate work. This is also reflected in the earnings of workers, whereby the difference in their earnings from export and domestic products is very minimal.

(ii) Control through Lead Time

Another major control is exercised through lead time. The lead time in the embellishment industry, like in any other buyer-driven chain is very short and its impact is felt all along the value chain, with the final squeeze falling on the labour (Ludvic, 2008). The time starting from the issuance of the purchase order to the delivery of goods is defined as the 'lead time'. This lead time consists of three processes, viz. 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 the approval of fit, dip, fabric, printing, and the final sample, and this takes a lot of time since the buyer often makes 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. Thus, for example, cloth dyeing is expected to take 3-4 days. However, if the conditions turn wet due to the rains, the process can extend up to 5-7 days. The entire calculation is upset, if it is ever actually done. This becomes a method whereby the buyer maintains control over the value chain.

The contractors are subjugated by the exporters and struggle to achieve timely delivery of the finished product against the orders they receive from the exporters. If the products are not delivered on time, the exporter has to pay heavy discounts, and the orders are cancelled. Most often, they cannot sell that product in India, because the sizes of women, as also their tastes in terms of designs and colours, are different from their counterparts in India. The exporters, therefore, put a lot of pressure on contractors, and consequently on all agents down the chain, to deliver on time.

Here a great difference can be seen between the contractors operating in the export value chain and those operating 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 have hardly any demand in the local market.

In this process, the easiest way to recover the costs is from the labour. Usually the costs of rejections on the basis of delivery time and quality are passed on to the workers.

There are deductions in the wages of the workers if the finished product fails to satisfy the quality requirements. Sometimes, the entire wages are deducted and workers are left with the products, for which they have no use themselves, and for which they can hardly find any buyers in the domestic market. As a result, a major share of the risk falls on the workers.

In contrast, the domestic market exhibits a much more relaxed scenario. Here, the delivery dates are extendable and very few rejections are reported by the sample contractors and workers. Most workers, therefore, said 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, can be easily sold for a slightly lower price in the local or any other market.

(iii) Quality Checks

When the exporters outsource work to Bareilly, they keep tabs on quality in various ways. The raw materials are sent to the workers, the products are checked and alterations are done, if required. While taking the goods to the exporter in Delhi, the contractor also brings along a few workers. The exporter's employees check the pieces, and if there are minor faults, the repairs are carried out here by the contractors, who are often skilled artisans themselves, and by 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. In this way, some form of control is exerted over the contractors and workers. In case of faults, there is a tremendous burden on the time, wages, and work orders of the worker.

(iv) Control through Dual System of Hiring

Another mode of control exerted by contractors/sub-contractors is through a dual system of hiring; the hiring of hired workers to work in enterprises and home-based workers whose workplace is the home. Execution of urgent work orders and production of quality products are usually done in enterprises through hired workers. These workers are paid as per the time rate since time is an important factor in these orders. On the other hand, home-based workers are paid as per 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.

(v) Control through Age

Control is also exerted through the age of the worker. Most of the workers belong to a younger age group and are unmarried. The fieldwork reveals that as the age and experience increase, the wage also rises. Thus, recruiting younger workers could be a means of keep the wages low. Also the strenuous physical demands involved in the embellishment activity also could be a possible reason for the recruitment of younger workers. The workers in this industry do not last for very long and their eyesight starts deteriorating rapidly because of working on intricate designs in poor light. Poor posture of the workers during the process of embellishment 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.

(vi) Control through Casualisation

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

2. Control through Social Structures

Controls over workers are also exercised through various social institutions and structures. Factors such as religion, caste, gender and space mediate in the accumulation process. Such mediations are reflected in the differences in earnings, mode of payment, type of products, mobility and mode of working.

(i) Religion and Caste

The embellishment industry is mainly segregated in terms of religion and caste. The unorganised sector of the embellishment industry, consisting of workers, sub-contractors and contractors, is largely dominated by Muslims (see Table 2). On the other hand, wholesalers and exporters in the organised sector, consist of only non-Muslims. A majority of the exporters are upper caste Hindus. The wholesalers in Bareilly mainly include upper caste Hindus, Jains and Sikhs.

The analysis during this study also reveals that a caste-based hierarchy is followed within the unorganised sector of the embellishment industry. The Sachar Committee Report² (2006) highlighted the caste system within the Muslim community. There are broadly three broad categories of garment workers among Muslims: 'ashrafs' are the high-caste nobles, and include Muslims with foreign blood such as Khans, Pathans, Sheikhs, Hussains, etc.; 'ajlafs' are the low clean occupational groups or middle groups consisting of Ansaris (*julahas* or weavers), *darzis* (tailors), and *kunjras* (vegetable sellers), while 'arzals' are the lowest or unclean castes such as *hazams* (barbers). A majority of the workers belong to OBC Muslims

Table 2

Religion-wise Distribution of Agents in the Value Chain (in per cent)

| <i>Category</i> | <i>Hindu</i> | <i>Muslim</i> | <i>Jain</i> | <i>Sikh</i> | <i>Christians</i> | <i>Total</i> |
|-----------------|--------------|---------------|-------------|-------------|-------------------|--------------|
| Exporters | 75.0 | – | – | – | 25.0 | 100.0 (4) |
| Wholesalers | 33.3 | – | 33.3 | 33.3 | – | 100.0 (3) |
| Contractors | – | 100.0 | – | – | – | 100.0 (16) |
| Sub-contractors | – | 100.0 | – | – | – | 100.0 (11) |
| Enterprises | – | 100.0 | – | – | – | 100.0 (28) |
| Workers | 5.3 | 94.7 | – | – | – | 100.0 (57) |
| 1. Hired | – | 100.0 | – | – | – | 100.0 (28) |
| 2. Home-based | 11.1 | 88.9 | – | – | – | 100.0 (27) |
| Total | 6.1 (7) | 91.5 (109) | 0.8 (1) | 0.8 (1) | 0.8 (1) | 100.0 (119) |

Note: Figure in brackets are numbers

Source: Field survey.

such as Ansaris, who are traditionally weavers (*julahas*) (see Table 3). The sub-contractors are Other Backward Caste (OBC) Muslims. A major section of the contractors, on the other hand, are 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 the labour market. There are a few Hindu workers, who are OBC Hindus. Such caste-based hierarchies in the unorganised sector are observed elsewhere too (Centre for Education and Communication, 2008).

Table 3
Caste-wise Distribution of Agents in Value Chain (in per cent)

| Category | Ansari | Khan | Mirza | Hussain | Shah | Pathan | Avi | Sheikh | Manhar | Hindu | Total |
|-----------------|--------|------|-------|---------|------|--------|-----|--------|--------|-------|----------------|
| | | | | | | | | | | OBC | |
| Contractors | 43.8 | 31.2 | - | 25.0 | | | | | | | 100.0 (16) |
| Sub-contractors | 81.8 | - | 9.1 | 9.1 | | | | | | | 100.0 (11) |
| Enterprises | 67.9 | 14.3 | 7.1 | 3.6 | 3.6 | 3.6 | | | | | 100.0 (28) |
| Workers | 70.2 | - | 1.8 | - | 1.8 | 1.8 | 7.0 | 10.5 | 1.8 | 5.3 | 100.0 (57) |
| a. Hired | 76.7 | - | - | - | 3.3 | - | 6.7 | 10.0 | 3.3 | - | 100.0 (30) |
| b. Home-based | 63.0 | - | 3.7 | - | - | 3.7 | 7.4 | 11.1 | - | 11.1 | 100.0 (27) |
| Total | 67.0 | 8.0 | 3.6 | 5.4 | 1.8 | 1.8 | 3.6 | 5.4 | 0.9 | 2.7 | 100.0 (112) |
| | (75) | (9) | (4) | (6) | (2) | (2) | (4) | (6) | (1) | (3) | |

Note: Figures in brackets are numbers

Source: Field Survey

Table 4
Average Daily Earnings of Workers by Products

| Product | Average daily earnings (in Rs.) |
|----------------|---------------------------------|
| Sari | 68.90 (38) |
| Suit | 67.71 (34) |
| Dupatta | 77.42 (24) |
| Lehnga | 69.15 (13) |
| Domestic Items | 70.44 (109) |
| Export Items | 69.52 (31) |
| Total | 70.44 (140) |

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

Source: Field Survey.

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

workers in Uttar Pradesh. The minimum wages for unskilled workers in Uttar Pradesh were around Rs. 160 while those for skilled workers were Rs. 202 in May 2009. The product-wise earnings show that there is not much of a difference in the earnings from domestic and export products.

The agents in the organised sector have relatively higher earnings as compared to those below them in the value chain. The wholesale traders in Bareilly show annual sales turnovers of above Rs. 10 lakhs (see Table 5). The annual turnover of the exporter that the authors met in Delhi was in tens of millions, with most of them having 3-26 garment factories. Around 50 per cent of the contractors in the unorganised sector too show an annual sales turnover of above Rs. 10 lakhs. On the other hand, the scale of operations of a major share of subcontractors (81 per cent) is relatively lower. They have an annual sales turnover of less than one lakh.

Table 5
Annual Sales Turnover (in Rs.)

| Annual sales turnover | Wholesaler | Contractor | Sub-contractor | Enterprise | Total |
|-----------------------|------------|------------|----------------|------------|-----------|
| Less than 1 Lakh | 0.0 | 12.5 (2) | 81.8 (9) | 7.1 (2) | 22.4 (13) |
| 1 lakh to 10 lakhs | 0.0 | 43.8 (7) | 18.2 (2) | 82.1(23) | 55.2 (32) |
| More than 10 lakhs | 100.0 (3) | 43.8 (7) | 0.0 | 10.7 (3) | 22.4 (13) |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| N | 3 | 16 | 11 | 28 | 58 |

Note: Figures in brackets are numbers

Source: Field survey.

(ii) Gender

Gender is an important institution that mediates the bargaining position of workers. Gender, caste, class and religion are intertwined in such a way that the workers, especially home-based workers, face severe job market discrimination. This is reflected in their earnings, type of products and sources of mobility (Unni and Bali, 2002).

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

Table 6
Gender-wise Distribution of Value Chain (in percent)

| Category | Male | Female | Total |
|-------------------|-----------|-----------|-------------|
| Exporters | 100.0 | - | 100.0 (4) |
| Wholesale traders | 100.0 | - | 100.0 (3) |
| Contractors | 100.0 | - | 100.0 (16) |
| Sub-contractors | 100.0 | - | 100.0 (11) |
| Enterprises | 100.0 | - | 100.0 (28) |
| Workers | 57.9 | 42.1 | 100.0 (57) |
| 1. Hired | 100.0 | - | 100.0 (30) |
| 2. Home-based | 11.1 | 88.9 | 100.0 (27) |
| Total | 79.8 (95) | 20.2 (24) | 100.0 (119) |

Source: Field Survey.

The earnings and number of days of work are highly gendered. A gender-wise analysis shows that the average daily earnings of the home-based workers constitute just half of the earnings of the hired workers (see Table 7). The average daily earnings of home-based workers are only around Rs. 45 as compared to the earnings of hired workers, which are around Rs. 90. The home-based workers also reported a fewer number of days of work as compared to the hired workers.

Table 7
Average Daily Earnings of Home-based Workers and Hired Workers (in Rs.)

| <i>Products</i> | <i>Average daily earnings of HBW</i> | <i>Average daily earnings of hired workers</i> |
|-----------------|--------------------------------------|--|
| <i>Sari</i> | 44.25 (16) | 86.82 (22) |
| <i>Suit</i> | 41.80 (15) | 88.16 (19) |
| <i>Dupatta</i> | 43.29 (7) | 91.47 (17) |
| <i>Lehnga</i> | 37.40 (5) | 89.00 (8) |
| Domestic Items | 42.44 (43) | 88.67 (66) |
| Export Items | 51.84 (19) | 97.50 (12) |
| Total | 45.32 (62) | 90.15 (78) |

Note: Figures in brackets are numbers

Source: Field Survey

The discrimination in earnings is largely due to ‘gendering’ in the 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 wages than hired workers, irrespective of the type of products. The products made for exports 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 do the work. Discussions with contractors in the export market revealed that they usually outsource work to sub-contractors “who have at least fifty home-based workers with them”. In the domestic market too, not many home-based workers are engaged in the embellishment of expensive products such as *duppattas* and *salwar* suits, which require more intricate work. The contractors emphasised 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 reported that they are interested in working on domestic products since the rates for these are better and the risk is less. Rejections on the basis of quality parameters and delivery time are quite common with regard to export products while such risks are fewer in the case of domestic products.

There are also gender-wise differences in the mode of payment. The home-based workers are paid in piece rates while hired workers are paid as per the in hourly rate. The piece rates differ among products and are design-specific. The primary reason for outsourcing to home-based workers is the 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 sub-contracting. Such a situation affects their mobility within the value chain. The women home-based workers are more dependent on middlemen for work orders and market outlets. The lack of freedom over physical mobility could be a major reason for their complete dependence on middlemen. 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 revealed that they haven't even seen even Bareilly town. It is usually the men in the household who bring work for them.

The male hired workers gain mobility within the value chain as they face no restrictions on their physical mobility. After a certain point of time, they upgrade their status to sub-contractors and contractors. It was observed during the fieldwork conducted as part of this study that most of the contractors have earlier worked in *kharkhanas* or as enterprise workers in big cities. After gaining some experiences in enterprises, the hired workers usually migrate to big cities such as Delhi, Jaipur and Patiala to work in *kharkhanas* of big export houses or retailers. These *kharkhanas* provide employment for a period of 6-8 months in a year and offer better payment than individual employers. During the off-season, they come back to their villages and mostly work as home-based workers. They subsequently upgrade themselves as contractors over a period of time. These options for upward mobility are, however, not available to the women home-based workers (Kantor, 2002).

(iii) Space

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

Table 8
Spatial Distribution of Value Chain

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

Source: Field Survey.

The unorganised sector of the embellishment industry is largely centred around the urban and rural areas of Bareilly. The urban areas constitute the epicentre of production in Bareilly. A major section of big contractors along with wholesale traders are based in Bareilly town (see Table 8). The workers, especially home-based workers, are almost equally divided among rural and urban areas, but the surveys show the presence of more hired workers in

the rural peripheries of Bareilly. A majority of the sub-contractors are also based in rural areas. On the other hand, exporters and wholesale traders are mostly based in metropolitan cities such as Delhi.

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

Table 9
Rural-Urban Differences in Average Earnings of Workers (in Rs.)

| Product | Average daily earnings (N) | | |
|----------------|----------------------------|------------|-------------|
| | Rural | Urban | Total |
| Sari | 70.80 (22) | 66.21 (16) | 68.90 (38) |
| Suit | 67.99 (15) | 67.49 (19) | 67.71 (34) |
| Dupatta | 71.50 (12) | 83.32 (12) | 77.42 (24) |
| Lehnga | 59.41 (10) | 101.66 (3) | 69.15 (13) |
| Domestic Items | 68.79 (59) | 72.95 (50) | 70.44 (109) |
| Export Items | 65.63 (23) | 80.64 (8) | 69.52 (31) |
| Total | 67.91 (82) | 74.01 (58) | 70.44 (140) |

Note: Figures in brackets are numbers

Source: Field survey

The wage differential in the rural and urban areas may be due to larger differences in the type of products outsourced to the peripheries. The workers in the rural areas are mostly engaged in the embellishment of less expensive products. A major share of the products in the export market are outsourced to rural areas. Relatively cheaper products like tops and accessories including include bags, hair bands, and belts dominate the export scenario. The outsourcing of work on expensive export items such as party gowns and tops with intricate designs is restricted to the urban areas. Similarly, embellishments on expensive domestic products such as *dupattas* and *salwar* suits, which require skill to execute intricate designs, are also limited to the urban areas only.

There are spatial differences in the mode of payment too. The hired workers in the urban areas are paid on the basis of *naphiri*, which consists of eight hours. The wages for a *naphiri* range 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 according to the *naphiri* system. But in metros, a *naphiri* consists of 12 hours and the minimum prevalent rate is Rs. 250 per *naphiri*. Such a system is, however, absent in the rural areas, where hired workers are paid only on an hourly basis. The prevalent hourly rate is Rs.10 per hour in the rural areas of Bareilly. This discrepancy in the rates and payment modes between the urban and rural areas is one of the reasons for the differences in earnings between the rural and urban workers.

V. CONCLUSION

Globalisation has integrated production systems in global chains. The perspective of the GCC framework and social embeddedness has been used to understand the organisational and social linkages in the embellishment production network in the garment industry. The value chain has been mapped in terms of the production process and through the network of agents. Such a mapping helped identify two types of governance structures: control over work processes, and control through social institutions. The lead firms in the developed countries control the production network in peripheries through factors such as design, lead time and quality parameters. The flexibility in production is largely materialised through a 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. This article shows how these institutions affect the earnings, product outsourcing and mode of payment of different agents in the network.

Further, it has been observed that there are subtle differences between the export and domestic chains in terms of the governance structures or controls used. In the export chain, the 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 the final squeeze falls on the workers in the form of wage cuts and deferred payment. In the domestic chain, the lead time and quality parameters are much more relaxed and flexible as compared to those in the international chain. There are also subtle differences between international and domestic chains in terms of the controls exercised through social institutions and structures. The comparative advantage in the cost of labour in the international chain is largely realised through outsourcing of work to home-based workers, who mostly comprise women, and whose workplace is most often their home. Similarly, space also mediates in the accumulation process as most of the workers engaged in the production of export products reside in the rural areas of Bareilly where the wages are lower as compared to the urban areas.

Finally, this study sheds some light on the implications of entry into and exit from the international chain for workers including home-based workers. The literature emphasises entry into the global production network as being a necessity for upgradation in the peripheries (Gereffi, 1999; Schmitz and Knorringa, 2000). But as this study shows, such a hypothesis does not hold true at least at the bottom level of the chain among enterprises and workers. Given a choice, enterprises and workers prefer to work in the domestic chain as compared to the international chain. Working in the export market is risky and uncertain due to strict controls through leadtime and quality parameters. The earnings from export products are also not adequate enough to compensate for the risks and uncertainties associated with it. Also, there are no evidences to show improved working conditions for workers engaged in the global network. Of course, international agencies, through alliances with international retailers, have been attempting 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.

Notes

1. The authors' discussion with exporters and wholesale traders in Delhi reveals that the important centres of embellishment in India are Bareilly, Kolkata, and Jaipur.
2. These categorisations within the Muslim community are based on the Sachar Report (2006) and on Alam (2009).

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