



## **SAFI SCOPING VISIT REPORT INDIA SEPTEMBER 16-18 2009**

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### **Delegation:**

- Alice Tepper Marlin, SAI
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### **Brief of Findings:**

India has largely been insulated from the financial crisis, but the economic slowdown has affected the workforce, with many confirming that the 1million job losses reported in the apparel industry is probably accurate and maybe even conservative. The overall feeling however is that it has not created a crisis in the country. India is very aware of the internal and regional shifts taking place in the industry and is watching closely what is taking place in Bangladesh, Cambodia, and Vietnam. There is a feeling that there is a fundamental shake up taking place that has created uncertainty about what the industry will look like in the near future.

### **Recommendation:**

India, on the whole, is not a good candidate for an immediate response to trade finance or worker retraining (although there is a lot of interest in skills development and diversification). However, India is a good candidate to build into the work of the third pillar of future scenarios. This is due to their national interest and promotion/support of competitiveness 'clusters' and the general tendency to watch not only patterns and shifts nationally but in regional contexts.

### **Meetings Briefings:**

#### **UNIDO, Philippe Scholtes, Regional Director**

UNIDO has produced a report on the crisis' impact on the Indian industries (forwarded) that has results from various industries. While there has been an affect on the garment industry, especially in clusters that produce undergarments in Tirutur, the extent of the crisis does not seem to be paramount and little has been produced with expressed concern around the garment industry. UNIDO does not have programs particularly aimed at the garment/textile industry (there is one program on footwear industry in Chennai).

#### **USAID, Gary Robbins Director, Office of Program Support**

USAID has focused programs on workforce development, health, education and energy. There is a focus on building PPPs to enhance and leverage any work taking place in the country. The workforce development program aims at basic skills development and works in partnership with a training center in Hyderabad. Little was known on the affects of the crisis on apparel workers.

#### **SEWA, Reema Nanavaty (BDMSA) with 9 workers from the state of Gujarat**



Since September the affects have included reduction of days of work, decrease in income, which has affected nutrition and food intake. It has also meant more children have been pulled out of school. There were particular concerns about the workers becoming 'deskilled' during this period.

SEWA has written and appealed to the Government of India on three issues with regard to the government's stimulus package:

1. Loans should be given to continue production at minimal levels.
2. Appealed for skills development in the market both for upskilling and to diversify skills.
3. Scholarships for children to continue with their education when parents can no longer afford it.

The government has also increased the national rural employment guarantee but the need has meant that it has reduced the guaranteed time period from 100 days/year to 30 days/year.

The workforce has predominantly gone back to agriculture and other cyclical events such as wedding season. However, because of the failed rains, coupled with the economic slowdown, a lot of concern exists for workers.

There are still affects on the access to credit and there are concerns from SEWA that the financial institutions dictate those with access to appropriate credit at good rates and largely SMEs are not part of their investments.

#### **Management Development Institute (MDI), Dr. Sahay, Director and Professor**

We spoke generally to both the Director and a professor at the school regarding the research and training facilities of MDI and the potential for collaboration if there is a need.

#### **New Trade Union Initiative (NTUI), Gautam Mody, Secretary**

The union has 2 affiliates in the garment industry, the Garment and Textile Union in Bangalore and GAFU in Chennai.

3 industries have been affected: garment, auto components and jewelry/diamond industries. India has not been gravely affected by the financial crisis because of three factors:

1. Its relatively high growth path even though there has been a cut by 50% India is still at 6% growth for this year.
2. The economy is largely insulated and autonomous globally and therefore less likely to be as severely affected as say small African and Asian countries.
3. Financial sector is robust and not integrated. In the private companies there was failure but the government took a shift in market share between public and private to mitigate the risk it was posing.

While there isn't an immediate crisis due to the economic slowdown, India is seeing considerable affects on the industries using the environment as an opportunity to restructure. We have started to map this in auto but not yet in apparel. We are seeing rapid consolidation and a move to big players and there is not a strong lobby for SMEs. And we are seeing a loss of rights.



**DFID, Pete Vowles - Director of Partnerships, Ragini Rhagunand, Programs**

DFID has been looking at the economic crisis on a macro level, not necessarily looking into sector specific impacts. Rather their research has focused on the impact of the economic slowdown on a state level with priority to the 3 poorest states which DFID has also prioritized in terms of program areas.

DFID has intersected in the garment industry only through its work with UNCTAD on trade and also through their work on clusters and SMEs.

Generally, the garment industry was hit, and with the failure of a good monsoon season, there are further vulnerabilities. However in general the economy is already showing signs of rebound and with the national scheme, the vulnerabilities have been somewhat contained.

**Ministry of Woman and Children, Joint Secretary Manjula**

The issues in the industry have more to do with the sectoral shifts taking place than the economic crisis per se. The ministry is working closely on issues in the industry related to trafficking and the exploitation of labor and has not only a focus on India but the SARC region overall. Poverty and an unorganized labor force means lack of awareness of rights and therefore exploitation. There are more cases of child labor and this is throughout the supply chain. To get costs, suppliers have to discuss "NAFRI negotiations" whereby there are three levels to pricing in negotiations. Top price is factory full of adult, skilled workers; ½ NAFRI includes home workers and child labor; ¼ NAFRI is child labor. There needs to be new models of doing business in the new context and reality. The Ministry is working on removing middle men in the business that has created and added costs, and created hierarchical structures of power.

**CII-ITC Centre of Excellence for Sustainable Development, Shikhar Jain**

We discussed CII's work on consulting and trainings and the potential for collaboration if a need is found.

**World Bank - India, Ulrich Bartsch, Senior Macroeconomist**

The World Bank has little data on specific sectors. While there are reports of considerable loss of employment it has not been destabilizing in this context. There is still national growth and the government has responded with stimulus packages where needed. In addition, exports are only a certain percentage of the market. Currently there is no employment tracking by the government so it is very hard to get accurate data on that.

**Meeting with 4 Suppliers at the OGTC International Conference on Apparel & Home Textiles**

Suppliers reported that there seems to be a flattening in the slowdown and possibly a turnaround. The suppliers reported that the industry has become very tough due to price pressures. This has made it increasingly hard for responsible suppliers to survive in the industry and some colleagues have decided to leave the industry altogether because the environment has become so filled with risks. The suppliers were very conscious that Bangladesh was a fierce competitor with low standards and very low wages. They reported that buyers, once making a move toward open pricing have now started to go back to closed pricing because they don't want the potential risks of knowing how or why the pricing can remain low or be pushed lower. There is also very



little stability to relationships and to the financial security of their clients. Many are spending more time analyzing their clients' financial statements than their own, to ensure that payments will be received. Many are turning to the domestic market instead so as not to deal with the requirements and regulations of the international market. And many are feeling skeptical about the CSR agenda as it has been playing out during the crisis.