The Impact of Government Policies on the Textile and
Garment Industries of India

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Abstract

The textile and garment industries in India, major sources of export income and employment for the country, has been influenced by government policies since the 1950s. In an effort to promote internal industrial development, the Indian government -- in the early decades after independence -- adopted a policy of import substitution. With the realization in the late 1980s that the country faced serious domestic and economic problems, including a massive international debt and stagnant economic growth, India's government planners increasingly switched to policies more in line with those advocated by the leading Western capitalists countries and the World Bank. This strategy emphasized decreasing governmental support for, and regulation of, all areas of the economy, and placed great emphasis on export-led development, including those financed through foreign multinational corporations (MNCs) and foreign direct investments (FDI). In contrast, an important aspect of early post-independence policies had been that they emphasized industries which were dependent on local capital and entrepreneurship. This paper focuses on India's textile and garment sectors and attempts to begin an assessment of the impact of long-range policies on the textile and garment industries. As sectors that are dependent on a large supply of unskilled workers from both the formal and informal labor force, the country's textile and garment industries -- and the millions of workers that depend on them -- have been dramatically affected by both traditional and more recent policies.

Introduction

As the world moves into the twenty-first century, the economic policies of the government of India will undoubtedly continue to be focused principally on economic liberalization, including deregulation of industry, the opening of markets, and the continuation of incentives to attract foreign direct investment (FDI) by large multinational corporations (MNCs). Foreign investors are attracted to India because of the large and rapidly expanding size of the market and the availability of skilled and unskilled labor. Since its independence from Britain in 1947, India's development strategy has undergone two more-or-less distinct stages. In the initial stage in the decades immediately following independence, the country's policies were apparently designed to maximize freedom from foreign capital, and to support the development of domestic enterprises, capital and markets. To achieve its objectives, this initial stage was characterized by a focus on import substitution. While this inwardly-oriented strategy helped to promote the economic development of India, there were too many regulations on industry, trade and finance. From the beginning of its development policies in the late 1940s until the 1970s, India's GDP grew by approximately 1.4 percent annually. However, this approach had serious shortcomings. Most of all, it seriously impeded economic growth, as the economy faced underutilization of capacity, lack of demand, and lack of investment. While Indian industry did grow steadily during the first three decades of independence, this growth did not produce the number of jobs required for the growing population.

From the early 1970s Indian planners began to recognize additional problems associated with the country's inward-oriented approach. High production costs, poor technology and poor product quality characterized Indian industries. In 1991 the government launched its economic stabilization program aimed at transforming India's development strategy. Considerable relaxation of industrial regulations was promoted. In addition, economic and industrial policies began to give priority to the corporate and organized labor sectors. Traditional sectors -- where women tend to be most represented -- were not given any preference (Chandrasekhar, 1992). The government's policy since the early 1990s has been to introduce technology to modernize and accelerate economic growth, factors which have reduced reliance on labor, including on large numbers of unskilled women workers. Thus, the liberalization and deregulation policies of India have so far had little positive impact on labor. The general trend has been towards capital intensification rather than relying on labor-intensive production processes with a few exceptions such as in the toy, leather, garment, and electronics industries. This is due to the fact that as the economy becomes more open and competitive there is more emphasis on efficiency (Agarwal et al, 1995). An associated problem is that the job security of the average worker is threatened, as more firms become dependent on the informal sector, which helps to keep their costs down and there is an overall shift towards hiring non-organized and part time workers. Also, this has resulted in a higher dependence on piece-rate workers, who are mainly women, as in the case of the garment industry (Kalpagam, 1994). All of these innovations and practices help to keep down labor costs, but at significant sacrifice to workers, including women.

many of whom are the lowest paid and have little job security.

Like other aspects of the Indian economy, the textile and garment industries have been subjected to government intervention. In the following sections, I will address the issue of employment within the textile and garment industries, and will attempt to explain the impact on women workers of India’s policies toward these industries.

India’s Textile and Garment Industries: Background

The textile industry in India can be traced to the establishment of cotton mills in Mumbai (formerly known as Bombay) and jute industries in Calcutta during the late 19th century. In Mumbai, the industry was supported by the availability of cotton from indigenous sources in nearby sections of western India, while locally-grown jute supplied industries in Calcutta. The textile industry is comprised of three main sectors: handlooms; mills; and powerlooms (Kalpagam, 1994).

The handloom sector consists primarily of family units involved in production. This has been one of the leading sources of employment and, under colonial rule, the sector faced competition both from foreign and domestic production. Since 1947, the handloom sector has received support from the Indian Government. The mill sector is involved in the production of textiles by large-scale units and was initially concentrated in Mumbai and thereafter spread to the other parts of the country. The powerloom sector is characterized by small-scale production units, which by virtue of their size cannot be classified as factories. Traditionally, these units have not been subject to labor legislation (Baud, 1991; Baud and Bruijne, 1993).

Before the Second World War the garment industry was almost non-existent in India. During the war the need for military uniforms led to the establishment of manufacturing units. Production for the military continued until about 1960 when the Ministry of Defense began producing its own uniforms (Banerjee, 1991). Thus, the industry was for some time involved only in limited non-military production. According to Pore (1991) prior to 1963 the garment industry was comprised of cottage and small units. Between 1963 to 1967, there was the inclusion of both medium and large-scale units, which were equipped with imported machinery. The entry of textile mills into garment production gave an impetus to growth. By this time the country had experienced both industrialization and urbanization which further increased the demand for ready-made goods within the domestic market. Spatially, manufacturing was principally concentrated in four major urban centers: Delhi, Mumbai, Chennai (formerly known as Madras) and Bangalore (Figure 1).

The Role of the Government in the Textile and Garment Industries

After independence in 1947, the Indian Government initiated measures to increase the levels of employment, to promote decentralization, and to raise the income levels of weavers in the handloom sector. Efforts were made to provide employment to millions of people and to protect the handloom industry from the competition of factory production. The handloom sector was given priority because it required relatively low investment and there was a high potential for the generation of employment.

An important fact is that there has traditionally been a high level of employment of women in the handloom sector. However, employment in the sector is not included in Indian labor statistics. This can be attributed to the fact that many women work in family enterprises. Based on the census definition of family workers, these workers can be drawn from beyond the household by ties of blood or marriage. Family members who work in household enterprises don’t receive wages in cash or kind (Kalpagam, 1994, 76). Thus, most handloom units are registered under the name of the heads of the household, who in most cases are men, while all other family members who work in these units are not included in labor statistics. The absence of data can at least partially be attributed to the fact that women’s work is considered to be leisure-oriented and hence non-work (Papanek, 1981; Mies, 1986; Acharya, 1994; Sashikala, 1994; Varandini, 1994).

Within the textile industry, the Government imposed various other strategies to regulate capacity and investment. Freezing the capacity of production units restricted expansion of the factory sector. The units were allowed to buy new looms in order to replace old ones. It was only when the units were involved in exporting their products that the government allowed the installation of new looms. Another means of limiting the expansion of the mill sector was by restricting certain cloth production only to the handloom and powerloom sectors. In order to increase production, attempts were made to improve the infrastructure of the handloom sector, by promoting the concept of co-operatives which were designed to both provide raw materials to the production units and
Figure 1. India's States and Major Cities
The development of the garment industry has risen considerably over the last decade. The Indian garment industry is very much dependent on the national textile industry (Rao and Husain 1991) and therefore restructuring in the latter helps to improve the quality of the garments produced. Additionally, the garment industry is dependent on local capital and entrepreneurship. In recent years multinational corporations (MNCs) have been playing an increasing role in this sector of the Indian economy.

Typically, MNCs use developing countries as a base for subcontracting the labor-intensive segments of production and thereafter export to the home country (Kalpagam, 1994). To the advantage of MNCs, many host governments have established Export Processing Zones (EPZs) in order to attract foreign investment. India has few EPZs compared to other Asian countries and the zones are regionally dispersed. The country’s two oldest EPZs are located in the Mumbai (Bombay) area. The first EPZ was set up in 1965 at Mumbai (Amirahamadi and Wu, 1995) followed by the nearby Santa Cruz Electronics Export Processing Zone in 1973. The other EPZs were established at Falta in the Calcutta area, at Noida in the Delhi area, at the city of Chennai in Tamil Nadu, and at Cochin in Kerala.

Apart from the Santa Cruz zone, the others are multi-product zones, indicating that a wide variety of products can be manufactured and exported. Since the 1970s local producers who are located outside of the zones and those involved in producing and exporting their products have been granted special concessions. In addition, there are about 300 Export Oriented Units (EOUs) which enjoy the same amenities commonly found in EPZs (Ministry of Textiles, 1999).

Export trade in textiles increased after the mid-1950s in response to the efforts made by the Apparel Export Promotion Council, the Cotton Textile and the Rayon Textile Export Promotion Council (UNIDO, 1990, 57). In order to promote garment exports, the government has been involved in providing incentives such as allowing the import of machinery, training of labor, and availability of credit. The depreciation of the Indian rupee in recent years has also helped to facilitate successful competition by Indian goods within developed countries (UNIDO, 1990; Rao and Husain 1991; Kalpagam, 1994).

Since the liberalization of the early 1990s, the export of ready-made garments from India has increased dramatically. Figure 2 shows the export value of garments from India over the 1993-94 to 1996-97 periods. One needs to recognize that this increase has occurred despite declining FDI approval in the textile sector.

The Workforce and Working Conditions in the Textile and Garment Industries

In recent years there have been signs of declining employment of women in India’s textile industry. This is partly due to the fact that there has been a closure of mills (Varandini, 1994). Furthermore, there has been growing mechanization in some production areas where women were traditionally concentrated. With the introduction of second and third shifts, women workers
have faced additional challenges. Present Indian governmental policies do not allow women to work in these shifts (Ramanamurty and Bambawal, 1987; Desai and Krishnaraj, 1987; Krishnaraj 1988; Baud 1991). On the other hand, within the handloom sector most of the units are family based and as a result women are used as unpaid workers (Baud 1991, 94).

In developing countries, the labor force in the garment industry is predominantly women. The Indian garment industry is no exception. According to Dicken (1992), in the industrialized countries most garment workers are immigrants with limited skills. A similar situation can be seen in case of India, where a majority of the workers are women who migrate from rural areas due to the growing landlessness of their families, drought and unemployment. Some of these women migrate with their families to cities such as Delhi, Mumbai, and Madras, while others are either unmarried or separated (Krishnaraj, 1988, 70-71; Rao and Husain, 1991, 167; Kalpagam, 1994). The majority of women workers in the garment industry are below 30 years of age. Due to the young age of these workers, employers are often reluctant to offer training, since many marry and leave their jobs (Krishnaraj, 1988, 75-77).

Within the garment industry, limited attempts have been made to encourage labor organization (Banerjee, 1991). From organized labor’s point of view, formal organization of these workers is not often required, due to the presence of "paternalistic management" (Rao and Husain, 1991, 183).

An interesting trend observed in Indian industries is that women are less likely to be members of labor
organizations than are their male counterparts. One reason is that these organizations are essentially male-dominated. As a result they fail to address the issues and concerns of female workers. Also, in patriarchal Indian society women are responsible for work both within and outside of the home. Therefore, they have limited time for union activities, which could improve their working conditions (Ramanam and Bambawale 1987; Rukmani, 1992).

As has been observed earlier, EPZs are far less widespread in India than in many other Asian countries, particularly in East and Southeast Asia. While information on employment in EPZs could shed light on working conditions, limited statistics are available on the employment of women in these zones. However, available information suggests that women do undergo economic exploitation within EPZs. Moreover, the Indian government, in order to promote foreign investment, has banned workers from organizing strikes within EPZs by categorizing such industries as "essential services" (Krishnaraj, 1988, 79).

The garment industry also employs a substantial number of informal sector workers. Certain parts of the production process, like embroidery, cut-work, crochet, button stitching are put-out, by large scale units, to subcontractors who in turn employ piece-rate workers. From the point of view of large companies, subcontracting has a number of advantages. Due to seasonal fluctuations, they can use this flexible workforce at times of higher demand. In the case of India there has been a steady growth in the number of smaller units as subordinates to larger units since 1970 (UNIDO, 1989). Piece-rate work may be carried out in the home setting or labor is recruited to work in other locations. Due to lack of space, air, and light the subcontract work may not be done at the home of the workers. In such cases the work may be conducted within a factory premise but the women do not receive any benefits. Piece-rate workers typically are young girls, unmarried women, married women and elderly women, most of whom tend to have below average education. One major advantage of home-based work is that due to social prejudice and the fact that many women are not allowed to work outside of their home, this form of employment helps to increase their levels of income. A major disadvantage is that, normally, this work is a load over the normal responsibility of household work and child care (North-South Institute, 1985; UNIDO, 1989; Rao and Husain, 1991) which puts additional stress on workers.

Home-based and piece-rate work lead to exploitation of women workers by agents representing manufacturing companies. Because of the availability of cheap and willing laborers who are threatened by rising poverty, these agents keep wages down (Papanek, 1981; Mies, 1986; Tipple, 1993; Gadadh and Bajaj, 1994). Piece-rate workers are more vulnerable to agents and contractors due to their isolation. Moreover, workers have limited knowledge of their employer or even the piece-rate paid to the other home-based workers (Rao and Husain, 1991). The workers are thus normally paid much less than minimum wages.

**Discussion**

Since the 1950s the Indian government has been involved in developing and promoting the textile and garment industries. Over the decade of the 1990s growing emphasis was placed by India on an outward-oriented development strategy. This was of great necessity in view of India's balance-of-payments position by the end of the 1980s. It has also been observed in this paper that there appears to be a close connection between India's export promotion strategy and increasing levels of female employment in both the formal and informal sectors. Figure 3 indicates that government policy in the textile and garment industries has been to increase exports from both foreign and domestically-owned manufacturing units. There is a direct link between this effort and those directed within the industrial sector. Thus, there is a major role played by senior levels of government in both industrial and women's development.

India's Eighth Five-Year Plan states that "human resource development plays a critical role in the socio-economic development of a country. It is an investment towards improving the quality of human life" (Planning Commission 1992, 387). In the early years after independence the Indian government's focus was on promoting overall economic growth. Gradually, there was growing concern with poverty, and efforts were made to reduce poverty and to stress equity. However, gender issues were not addressed and therefore the programs for economic and social growth were male-biased (Papanek, 1981). Indeed, it has only been since the early 1980s that women's issues have been brought to the forefront and have been systematically addressed.

Women in India form nearly half of the population. For example, in 1991, the country had 406.3 million women out of a total population of 846.3 million in (India, 1991). Through its various plans and strategies, efforts have been made by the Indian government to increase the skills of women in the
agricultural sector, and to improve employment opportunities. Within the small scale industrial sector, attempts were made to organize entrepreneur’s development programs, with women given preference in self-employment schemes (Planning Commission, 1992). In spite of all these efforts, the status of women in India has not changed dramatically over the years. In 1995, for example, female literacy rates remained far below the male rate, with 39.4 percent of women estimated to be literate in comparison to 64 percent for men (Visaria and Visaria, 1995). However, this was an improvement from 1961, when only 13 percent of women were literate.

Traditionally, it was believed by the Indian government that employment of women in manufacturing would improve their economic and social position. It was assumed that employment would aid in reducing poverty, in increasing independence, and in promoting self-esteem. Most women garment workers work in order to improve the monetary situation of the family or even save to pay for their dowry (Desai and Krishnaraj 1987; Rao and Husain 1991). The value of dowries -- namely, the amount that the families of brides must pay to the of the prospective families of husbands as a condition of the marriage contract -- has in recent years increased, along with consumerism within the society-at-large. While the employment of women to improve the economic position of their families is in line with the Indian government’s objectives, the problem of dowry seriously impairs the advancement of women. Thus, it can be argued that increasing industrial employment opportunities is not promoting the development of women.

Moreover, there is evidence that in recent decades the employment of women has decreased in the modern sectors of the economy. According to a World Bank study (1991), within India there has been an increase in female agricultural employment. On the other hand, during the 1980s the country experienced a decline in women’s share of employment in the secondary and tertiary sectors. The primary reasons behind the decline were the use of a flexible work force and mechanization of industrial processes (WIN News, 1993). How-ever, there have been a few industrial sectors where levels of employment of women has increased. This includes the electronics, garment, toy and leather indus-tries.

Although piece-rate work is often viewed as a means of promoting the “self-help” of women, this
approach is problematic. An important pitfall is that in order to improve their socio-economic status, women take on work from sub-contractors and in the process become dependent on sub-contractors, who are noted for paying low wages. Piece-rate work thus increases their dependency on middle persons and exposes them to exploitation.

Similarly, in the formal sector, women are exposed to poor working conditions, low wages, and lack of organization. This in turn makes the development issue highly debatable. For example, it should be recognized that the effective integration of women into the restructuring process is essential so that as the country moves ahead women are not left out of these programs. The Indian government expects that economic liberalization and modernization will give women more financial freedom and enhanced social status. In fact, export-led industrialization can provide more employment opportunities and, gradually, women may seek employment in the secondary and tertiary sectors.

While it is apparent that the government, by encouraging export-led industrialization, has been successful in its efforts to increase industrial production in India, and that this policy has contributed to more employment opportunities for women, the government has offered little legislation to protect the job tenure, health and rights of women in the work-force. Based on the trends observed, one is forced to question the very concept of development as it applies to India.

In assessing the effectiveness of "economic development," it is important to be aware of one's objectives (Ahiakpor, 1990). In the present paper, the concept of economic development is used to assess the impact of policies and practices in India's textile and garment industry on the advancement of women. The evidence appears to suggest that these policies and practices have actually led to higher exploitation of women workers. The overall lack of progress of women workers may also be attributed to the fact that the Indian government has promoted small scale production units which tend to obscure the role played by women workers and also increases their dependence on piece-rate work. Focus needs to be placed on encouraging women workers to join or form labor unions, both in large and small scale units. Finally, efforts should be made towards statistical reporting of women working in informal units.

**Conclusion**

As India moves ahead with economic liberalization policies, there will be continued focus on modernization, technological improvement, and increasing income from exports. This will, at the initial stage of restructuring, slow the growth of the formal sector and increase poverty both in rural areas and among the urban poor. Additionally, this will result in higher rural-to-urban migration, which in turn will increase the supply of labor in urban areas where industries are located. A fundamental problem that relates to economic liberalization has been its possible impact on health and welfare. There have been cuts in social programs such as poverty relief and job creation programs. The reforms have led to high inflation, the burden of which has fallen on women and other low income groups. There have also been cuts in health and education programs which will affect mortality and literacy levels.

More research needs to be directed towards the health problems of informal sector workers. With economic liberalization, women have to undertake an increased economic role in addition to their reproductive role. Also, due to economic and social sub-ordination, women are responsible for all household activities. And as they undertake a more important economic role, this further lengthens their work day. Yet economic necessity drives these women into the informal sector at the cost of their health, which in turn affects their overall productivity.

Over the years considerable emphasis has been placed on the importance of the informal sector economy. As has been previously noted, this is often viewed as a self-help approach which has the potential for enhancing the economic status of workers. However, many of these workers are not represented in the labor statistics and as a result the exploitation and possible health hazards faced by them are less likely to be addressed. For some time, the government has been emphasizing population control programs to improve the status of women. But if the health impacts are not addressed the purpose of economic liberalization policies and subsequent development will fail. At the core of Indian development policies my be the recognition that effective development programs must emphasize the improvement of human resources.

**Literature Cited**


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