

Employment or Exploitation: Are suppliers to retailers like Walmart, Carrefour sweatshops?

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It isn't often that the biggest rivals in the world of retail—Walmart and Carrefour—find themselves on the same side of a negotiations table.

That they did so one afternoon early last month at the old-wordly headquarters of the Southern India Mills' Association, a body of yarn-makers based in Coimbatore that accounts for half of India's yarn exports, is a pointer to the heady challenge facing them and the mills.



A man working on the loom.

Over the last year or so, the industry has been rocked by reports from a European NGO alleging the use of bonded labour. India's textile makers can ill-afford such a name, especially after the back-to-back crises they have had to endure in recent years; neither can retailers given the risk to reputation.

Although not as glamorous as IT, textiles has substantially filled the export coffers over the years. Today, the members of the Tirupur Exporters' Association, another industry body, account for exports of Rs 12,500 crore.

The southern mills sell their stuff in almost 130 countries. And, after agriculture, textiles is the second-largest employment provider. The coming together of Indian textile mills and western brands is the latest attempt to salvage the situation, even as lawmakers in India and Europe seem to have taken cognisance of the issue.

The meeting, attended by the two retail biggies as well as by representatives of C&A, Primex, GAP, and three other brands, may help shape their collective response to this controversy, which however shows no signs of dying down anytime soon. That's because the NGO has indicated it isn't over yet.

The Rumblings

It all started in 2011, when the India Committee of the Netherlands (ICN), an NGO, and the Centre for Research on Multinational Corporations (SOMO), both based in the Netherlands, published the first of their two major reports alleging exploitation of young Dalit girls in the textile belt of Tamil Nadu.

The lead came from local NGOs and trade unions that worked on this earlier. The Dutch report was specifically about four companies: Bannari Amman, Eastman Exports, KPR Mill and SSM India.

The second report—an update— was published earlier this year. Its focus was on an employment scheme that is popularly known as Sumangali. Central to the scheme is the promise of a lumpsum at the end of a contract period, typically three years.

The NGO report called the scheme exploitative and said it was "tantamount to bonded labour". That's because, it said, it found evidence of salary being withheld in order make up for the lumpsum. Not just that. It also alleged that the mills were severely restricting the freedom of movement for the girls and forcing them to work long hours (See graphic: Employment or...).

The response to the report caught the industry off guard. In recent months, ICN and SOMO have reported, questions about Sumangali have been raised by lawmakers in Spain and the Netherlands, as well as in the European Parliament.

For the world's major brands, this presents a huge risk to their reputation. Spokespersons of Marks & Spencer, as well as of Walmart and Inditex, two companies that participated in that meeting with the Southern India Mills' Association, say they have checked and have ruled out the prevalence of such discriminatory practices among their Tamil Nadu suppliers.

Marks & Spencer also says it uses "third-party, independent, highly trained auditors" to make such an assessment. For the mills, the result has been a loss of orders and a troubling cloud over their future, something they are publicly loath to admitting.

But Eastman, one of the four companies mentioned in the report, shared with ET a letter it sent to ICN in March 2012, where it rebutted all charges against it. Signed by its COO S Rajasekharan, it says: "We have lost business because our names got mentioned in your earlier reports. These reports scare away prospective customers as they fear their names getting dragged by your agencies." Gerard Oonk, director of ICN, says that isn't their intention.

Big Business, Bad Suppliers

Walmart

Workers in some supplier companies in Bangladesh, China, Indonesia, Nicaragua and Swaziland were denied minimum wages and mandated healthcare, and were forced to work overtime without compensation



Apple

This March, an Apple-commissioned audit at Foxconn, a Taiwan-based supplier with a big presence in China, documented violations like unpaid wages, excessive overtime and low salaries

Sports-Goods Majors

A 2004 Oxfam report said Adidas, Reebok, Nike and Puma were sourcing from companies whose workers endured seven-day weeks, 16-18 hour days, sexual harassment of women, and forced overtime without pay

Nestle USA

Its suppliers have been accused of child labour, repression of worker rights, and violation of national health and environmental laws. In 2006, the International Labor Rights Fund and a Birmingham-based law firm filed a class-action suit against Nestle and some of its suppliers on behalf of former child slaves

Source: Global Exchange, 'Most Wanted, Corporate Human Rights Violators, 2012', International Labour Rights Forum and web sources

1 The Target Set
 Women and girls, aged 14-25 years, mostly unmarried
 Majority of workers are Dalits

2 The Promise
 Monthly wages of ₹900-3,500
 Lumpsum at the end of a 3- or 5-year contract period; ₹30,000-56,000 for three years
 Comfortable accommodation, three nutritious meals a day, and opportunities for training and schooling



"Our adamant plea is that brands should not withdraw but help to create better working conditions and wages," he adds. "Quite a few brands still shy away from their responsibility."

A 'Bad' Word

As a result of all this, Sumangali, a Sanskrit word that's used in day-to-day Tamil language to convey auspiciousness, is today paradoxically a taboo word in these parts. Those in the industry would rather use the word 'scheme' even to convey that they don't have anything to do with Sumangalilike arrangements. This, even though Sumangali per se cannot be a problem; only its misuse can be.

The first of such schemes was started nearly two decades back. But it's only in recent years that it has taken off, as mills saw it as a rare chance to control an input cost.

Labour was already becoming scarce. Cotton prices, which make up over 70% of the cost of making yarn, had by then started making rapid, violent swings. The power situation was pathetic. They have been able to do little about cotton and power.

It was also an ingenious idea that targeted girls, school drop-outs largely, around 15 years of age from the remotest parts of the state. The argument was that, but for the work, they would be married off young.

A lumpsum at the end of a stint meant handy funds for the marriage. The 15-18 age-group is seen as a grey area by NGOs—the lower end of the age-range just about steers clear of the child labour tag, while the higher end is just about the age to enter into contracts.

Mills are critical of the NGO report, terming it an attempt to discredit the industry. K Selvaraju, secretary general of the Southern India Mills' Association says: "You have hundreds of success stories.

Thousands of girls go for higher education and have learnt many additional skills. So why aren't they highlighted?" His point is: "The system is good. There could be some flaws. But they are exceptions. And which system doesn't have them? "

Before all that, however, his question

3 The Salary Critique
 Lumpsum doesn't equal what a worker could earn if minimum wage for an apprentice is paid
 Workers forced to stay with a factory to get the lumpsum and often don't even receive it
 Many don't reach the 3- or 5-year mark as they fall sick due to the unhealthy and unsafe working conditions and the long working hours
 Sometimes workers are fired just before the end of the period, under some feeble pretext

4 The Other Critique

- Promises not written down in a contract
- Prevalence of child labour
- Forced and excessive overwork
- Limited freedom of movement
- Occupational health and safety
- Physical and verbal harassment
- Not allowed to form trade unions

Source: India Committee of the Netherlands, Centre for Research on Multinational Corporations

is: why Tamil Nadu and why just Tirupur and the garment industry and, even there, why these four companies? In fact, he says, he asked those big brands in the meeting why they are mum about far bigger violations that get reported from China and Bangladesh.

And, he says, he got no convincing answer on that. That particular question hurts the textile industry in Tamil Nadu even more because Bangladesh has managed to snatch business away from it in recent years.

For the eastern neighbour, textile is the bread-and-butter export earner. Its status as a least developed country gives its garments duty-free entry into big markets such as Europe. And with a relatively low cost of labour, the task is that much easier for Bangladesh.

ICN's Onk, dismissing the charge, says: "There are numerous other reports, including by the Clean Clothes Campaign (of which it is a member), on the situation in China and Bangladesh. We have not blown anything out of proportion."

More To Come

And, it may not be about just those four companies anymore. Onk says: "We think that the situation in the integrated companies, of which some of them have started improvements, is in fact indicative of much wider problems and may be even deeper in the spinning mills and garment production in Tamil Nadu."

That's precisely what ICN's partner on the ground in Tirupur, the Tirupur People's Forum, is working on too. Its convener A Aloysious says: "Now, I am concerned about the over 2,000 other mills in Tamil Nadu.

Their employment patterns are changing to the new method (Sumangali-like methods)." Aloysious and his team have started compiling employment data in these mills. They are also tracking recruitment ads of mills (complete with details of lumpsum promises) in local media.

On the day of his meeting with ET, a German buyer, whom Aloysious won't name, had met him to understand the labour issue. He believes 80% of the mills have stopped hiring locals because they have to deal with more absenteeism and even collective bargaining. But then the mills have also questioned the NGO report's factual accuracy.

In his letter to ICN, Eastman's Rajasekharan also says "It is indeed very strange to us that you make reports on our production facilities without verifying the facts." And that "you mention factory names which do not even exist in our group."

His letter also says: "On the one side, you discredit all social audits conducted full year by all the professional social audit agencies, but at the same time you make conclusions based on your researchers talking to 48 workers without verifying a single record in the factory."

Eastman, incidentally, was noted by ICN and SOMO as one company that has made the most improvements to its labour policies (among the four) after their first report.



So what's the way to resolve this? During their meeting with the mills' association last month, the brands had mooted the idea of a common forum made up of mills, brands, the government, trade unions, organisations such as the London-based Ethical Trading Initiative and the Washington-based Fair Labour Association (both of which have worked to bring stakeholders together on this issue over the last year or so) and the NGOs.

The Southern India Mills' Association ticked every name except the NGOs. "What's the stake they (NGOs) have?" asks Selvaraju. "There's a labour advisory board of the government, which is taking care of the system. They have taken so many measures. NGOs simply ignore the board."

Ethical Trading Initiative's director Peter McAllister, however, reckons having NGOs on board will be important. He says: "It is understandable that an individual business, or business association, may not view NGOs as stakeholders."

However, NGOs do have a wider role to play in the garment and textiles sector of southern India. It is our experience that credible NGOs and businesses can work together in mutually beneficial ways."

Untying the Knot

Yet, the situation is far from a stalemate. After the public outbreak of the issue, the industry has drafted a code of conduct on labour issues, which it is insisting their members follow.

Officially, Sumangali stands scrapped. The Tirupur Exporters' Association has even floated a stakeholders' forum that has, among others, NGOs on board too. Selvaraju says he told the brands: "You take whatever feedback you have from the NGOs, I don't mind. Let's come out with a common code. I have one. Let's hear from you what we are missing. And we can discuss."

More than two years ago, his association with German certification firm TUV Rheinland started a voluntary code of conduct certification for mills employing women. (Interestingly, KPR Mills, one of the four textile companies that figures in the NGO report, got the highest possible rating in that.)

Selvaraju says brands did ask for the certificate holders' names to be put on the association's website. There are just about seven companies in that list. If brands show interest in these ratings, it might just force the mills to get themselves ready for certification.

There's a softer measure Selvaraju is working on—a short film, whose budget he says "will be in crores" and which will be telecast on websites and in private screenings. His association is also trying to rope in a German firm for screenings overseas. "It will be independent. We won't interfere."

From: http://articles.economictimes.indiatimes.com/2012-10-11/news/34387350_1_yarn-exports-southern-india-mills-association-second-largest-employment-provider