

# Maid in India

Young Dalit Women Continue  
to Suffer Exploitative Conditions  
in India's Garment Industry

April 2012



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### Young Dalit Women Continue to Suffer Exploitative Conditions in India's Garment Industry

In this report the Centre for Research on Multinational Corporations (SOMO) and the India Committee of the Netherlands (ICN) present their findings on the labour conditions in the South Indian garment and textile industry. In Tamil Nadu young women workers continue to suffer exploitative working conditions while making garments for Western brands. Thousands of girls work under recruitment and employment schemes that amount to bonded labour.

'Maid in India' features case studies of four large Tamil Nadu-based garment manufacturers that produce for the European and US markets. The majority of the workers are Dalit (outcaste) girls younger than 18 hailing from poor families who are lured with promises of a decent wage, comfortable accommodation and, in some cases a sum of money upon completion of the contract that may be used for their dowry. A large number of these labour migrants live in (factory) hostels where they have little to none interaction with the outside world, let alone trade unions or labour advocates. Workers are expected to work long hours of forced overtime under unhealthy conditions. Trade unions are weak and face enormous opposition. Government enforcement of labour law is not robust.

Garment brands and retailers have made promises to abolish labour abuses at their suppliers. Some companies are part of corporate compliance or multi-stakeholder initiatives; others are developing their own approach, including in-depth investigations and social audits at their suppliers. These efforts have had some positive effects, especially in the garment-producing units that supply directly to Western buyers. Still, SOMO and ICN conclude that major violations continue, especially in the spinning units where yarn is produced.

This report aims to provide relevant stakeholders – manufacturers, brands, multi-stakeholders initiatives, governments and others – with input to enable and motivate further action. On the basis of the field research and analysis of promises and actual steps taken by the industry and other relevant actors, conclusions are formulated, as well as practical recommendations.



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**Young Dalit Women Continue to Suffer  
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**SOMO & ICN**

**Amsterdam, April 2012**

## Colophon

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April 2012

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### **The India Committee of the Netherlands**

The India Committee of the Netherlands (ICN) is an independent non-governmental organisation campaigning and doing advocacy work on human rights issues. Central to the work of ICN are the issues of caste-based discrimination, labour rights and child labour & education. ICN co-operates with organisations in India and elsewhere in combating discrimination, poverty, oppression, exploitation and lack of education, focusing on the role of policy makers and companies. ICN is an active member of networks like the Clean Clothes Campaign, the Stop Child Labour campaign, the International Dalit Solidarity Network and the Dutch MVO Platform.

### **Centre for Research on Multinational Corporations**

The Centre for Research on Multinational Corporations (SOMO) is an independent, non-profit research and network organisation working on social, ecological and economic issues related to sustainable development. Since 1973, the organisation has been investigating multinational corporations and the consequences of their activities for people and the environment around the world. SOMO supports social organisations by providing training, coordinating networks and generating and disseminating knowledge on multinational corporations in a context of international production, trade, financing and regulation.

### **Campaign Against Sumangali Scheme**

The Campaign Against Sumangali Scheme (CASS) is a coalition of civil society organisations in India that works together to raise awareness about the Sumangali Scheme and advocates an end to this system of exploitation.

# Executive summary

## Introduction

In Tamil Nadu, South India, textile and garment products for big brands and retailers are being made by girls and young women from low caste backgrounds under exploitative working conditions. Workers are recruited from poverty-stricken areas within as well outside of the state of Tamil Nadu. A large number of these labour migrants live in (factory) hostels where they have almost no opportunity to interact with the outside world. Workers are expected to work long hours of forced overtime, sometimes up to 24 hours a day under unhealthy conditions.

This report, 'Maid in India', follows the report 'Captured by Cotton'<sup>1</sup>, published by the Centre for Research on Multinational Corporations (SOMO) and the India Committee of the Netherlands (ICN) in May 2011. 'Captured by Cotton' revealed that a great number of workers were employed under the so-called 'Sumangali Scheme'. Under the Sumangali<sup>2</sup> Scheme workers are recruited with the promise that they will receive a considerable amount of money after completion of three to five years of employment. This amount can be used to pay for a dowry. This exploitative scheme is tantamount to bonded labour, because employers withhold part of the workers' wages until they have worked there for three to five years. In addition it was found that workers are severely restricted in their freedom of movement and privacy.

The current report provides an update of labour conditions in the Tamil Nadu garment and textile industry and examines the current situation at the four garment manufacturers originally investigated for 'Captured by Cotton', i.e. Bannari Amman, Eastman Exports Global Clothing, K.P.R. Mill and SSM India. In addition, the report looks into what efforts have been undertaken by various parties to achieve improvements. It also presents an overview of recommendations on how to continue to improve conditions.

This report aims to provide relevant stakeholders – manufacturers, buying companies, trade unions, local and international civil society organisations, governments and others – with food for thought to enable and spur further action. On the basis of the field research and analysis of promises and actual steps taken by the industry and other relevant actors, conclusions are formulated, as well as practical recommendations.

## Findings

The findings of the research show that, to varying degrees, improvements have been implemented at the four manufacturers since the publication of 'Captured by Cotton'. One manufacturer has stopped using the Sumangali Scheme in all its operations. Another manufacturer has phased out the Sumangali Scheme in its end-product facilities. Improvements regarding freedom of movement have been reported at all four manufacturers. Permission to leave the hostel accommodation is granted more easily and sometimes groups of women are allowed to go shopping unaccompanied.

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<sup>1</sup> Centre for Research on Multinational Corporations (SOMO) and the India Committee of the Netherlands (ICN), 'Captured by Cotton – Exploited Dalit girls produce garments in India for European and US markets', Amsterdam, the Netherlands, May 2011, < [http://somo.nl/publications-en/Publication\\_3673](http://somo.nl/publications-en/Publication_3673) >

<sup>2</sup> The Tamil word 'Sumangali' refers to a married woman who lives a happy and contented life with her husband with all good fortunes and material benefits.



Other improvements include pay rises and an increase of the final amount that workers receive at the end of their contract.

At the same time, however, the research shows continuing violations of labour rights and human rights in the garment industry in South India. Major problems persist at the four manufacturers. No significant improvements were found in terms of working hours and forced overtime. Women workers are still expected to work for long hours of forced overtime, in exceptional cases even up to 24 hours a day. Child labour is still occurring; at three manufacturers girls younger than 16 were found to be working. At two manufacturers workers below the age of 14 were found among the work force. There is no trade union presence at the four manufacturers, nor do these manufacturers have independent and effective grievance mechanisms. Therefore, no mechanisms are in place for workers to negotiate their rights and voice their needs.

Some companies have undertaken steps to address the issues as described in SOMO and ICN's reports. Manufacturers, brands and retailers, as well as local and international civil society organisations, government ministries and agencies have spoken out against the existence of the Sumangali and Camp Coolie<sup>3</sup> schemes in the Tamil Nadu garment industry. Initiatives undertaken by these actors can be categorised into four groups:

- ❑ Initiatives driving collaboration among stakeholders and aiming at generating scale and leverage.
- ❑ Actions focused on first tier suppliers, including auditing.
- ❑ Actions aiming at second and further tier suppliers.
- ❑ Projects with a specific social or community component.

The current situation shows some improvements, but also proves that efforts undertaken so far are not sufficient to realise the desired results. Even those companies that have joined initiatives geared towards addressing human rights abuses have not been able to ensure their supply chain is free from labour rights abuses.

## Conclusions

Apparently, it is possible to effect changes in employment and working conditions in compliance with national and international standards, benefitting workers. But still, both buyers and suppliers fail to implement the required reforms across the board. Although discrimination on the basis of caste or gender is prohibited by Indian law, the practice is persistent in Indian society.

Companies have a responsibility to ensure that workers' rights are respected throughout their supply chain. On the whole, however, only a relatively small number of companies are as yet truly committed to protecting human rights in their supply chain. The companies linked to initiatives such as Social Accountability International (SAI), Fair Wear Foundation (FWF), the Sumangali Bonded Labour Group/Tamil Nadu Multi Stakeholder Group of the Ethical Trading Initiative (ETI SBL Group/ETI TN MS Group) and of the Business Social Compliance Initiative (BSCI) combined still only make up a small group with relatively limited leverage. The majority of the brands and retailers can safely be classified as 'laggards'. The same is true for the manufacturers. The overall picture shows lack of progress in improving recruitment and labour conditions.

By now, business initiatives, multi-stakeholder initiatives and trade associations have, to varying degrees, developed policies and practices to address abuses under the Sumangali and similar

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<sup>3</sup> Workers that live in hostels on the factory grounds are referred to as Camp Coolies.

schemes, but it is all on a voluntary basis. Brands and retailers may well be part of this or that initiative, but still do not take strong action on forced labour issues. Commitment to eradicating labour rights abuses is easily stated, but putting promises into action is another matter. Action is often translated into more audits, while audits fail to detect more sensitive issues such as bonded labour, harassment and discrimination.

## Recommendations

All players – manufacturers, buying companies, trade unions, local and international civil society organisations, governments and others – need to acknowledge the persisting problems. Governments have a duty to protect against human rights abuses by third parties, including business enterprises, through appropriate policies, regulation, and adjudication.

Companies, individually but also collectively, should respect and protect national legislation and/or international standards regarding human rights; whichever offers the highest protection to the concerned workers. The OECD Guidelines for Multinational Enterprises and ISO 26000 in addition to the relevant Indian laws and regulations, the ILO Conventions and the UN Principles on Business and Human Rights are pertinent, internationally supported standards which must be applied to fight labour rights violations in the South Indian garment industry. Companies have a supply chain responsibility to ensure these standards are applied beyond the first-tier suppliers. To detect human rights abuses, focused investigations and tailor-made audit methodologies, as well as close consultation and collaboration with local stakeholders are required. The human rights risk assessments must also take into account local cultural notions regarding human rights.

In the absence of law enforcement or functioning labour inspection, companies have a responsibility to ensure labour rights. For instance, the absence of state-determined and enforced minimum wages for the garment industry does not relieve manufacturers and buyers from the duty to ensure workers are paid a living wage.

Undeniably, each individual company has an individual responsibility to abide by national labour laws and international human rights and labour norms and standards. At the same time, the global garment industry also has a collective responsibility to ensure human rights are respected throughout the global supply chain. This should become visible in the policies and actions of trade associations and employers' associations both in garment producing and importing countries. Increased collaboration among brands, retailers, manufacturers and suppliers further up the supply chain is needed. All relevant actors should be on board when dialogue is organised and action plans are developed. It is of the utmost importance to have, for instance, SIMA, TASMA and the relevant Indian governmental agencies at the table, as well as the brands and retailers that thus far have been unresponsive. Initiatives should focus on scale and leverage, without, however, lowering the normative bar.

All parties involved should ensure that independent trade unions can play their designated roles. First and foremost, the right of workers to form and join trade unions and to bargain collectively should be protected and respected. These enabling rights permit workers to defend their rights, voice grievances, and negotiate recruitment and employment conditions, including wages.

To deal with workers' needs and complaints, grievance procedures should be put in place. Such grievance procedures should meet the following core criteria: legitimacy; accessibility; predictability; equality; compatibility with internationally acceptable rights; transparency. Complaint procedures should provide a basis for continuous learning and improvement. Company's grievance

procedures are an important supplement to collective bargaining, but may never be used to replace this legitimate process.

# 1. Introduction

## 1.1. Background

The Centre for Research on Multinational Corporations (SOMO) and the India Committee of the Netherlands (ICN) published the report 'Captured by Cotton – Exploited Dalit girls produce garments in India for European and US markets'<sup>4</sup> in May 2011. The report describes how products for big garment brands and retailers are made by girls and young women from Dalit and low caste backgrounds under exploitative working conditions in Tamil Nadu, South India. The report revealed that a great number of these young women are employed under the so-called 'Sumangali Scheme'. This exploitative scheme is tantamount to bonded labour, because employers withhold part of the workers' wages until they have worked there for three to five years. In addition it was found that workers are severely restricted in their freedom of movement and privacy.

'Captured by Cotton' zoomed in on four vertically integrated manufacturers: Bannari Amman, Eastman Exports Global Clothing, K.P.R. Mill and SSM India. These manufacturers supply to a large group of European and US brands and retailers. 'Captured by Cotton' revealed that these manufacturers employed workers under the Sumangali Scheme. Other unacceptable labour practices described in 'Captured by Cotton' included: excessive and forced overwork; unsafe and unhealthy working conditions; and the employment of children younger than the legal working age. Freedom of association and collective bargaining proved to be non-existent and none of the researched manufacturers had effective and independent grievance mechanisms in place, leaving workers without any effective channel to express their grievances and resolve them.

The common denominator of corporate responses to the labour issues described in 'Captured by Cotton' is a general acknowledgement of the need to address these issues, and where possible to do so collectively, involving multiple stakeholders in order to effectively work towards improvements.

It must be noted, however, that more than half of the companies named in 'Captured by Cotton' refused to engage on the topic with SOMO and ICN.<sup>5</sup>

The publication of 'Captured by Cotton' by SOMO and ICN followed on research and publications by Anti-Slavery International and the European Coalition for Corporate Justice (ECCJ), as well as various media publications, and has added to the public body of knowledge regarding the occurrence of bonded labour in the Tamil Nadu garment and textile industry.

## 1.2. Follow-up report - aims and objectives

Following up on 'Captured by Cotton', SOMO and ICN have commissioned new research which is reflected in the present report. This report provides an update of labour conditions in the Tamil Nadu garment and textile industry and examines the current situation at the four garment

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<sup>4</sup> Centre for Research on Multinational Corporations (SOMO) and the India Committee of the Netherlands (ICN), 'Captured by Cotton – Exploited Dalit girls produce garments in India for European and US markets', Amsterdam, the Netherlands, May 2011, < [http://somo.nl/publications-en/Publication\\_3673](http://somo.nl/publications-en/Publication_3673) >

<sup>5</sup> Out of the 37 brands and retailers mentioned in 'Captured by Cotton', 19 did not respond. In September 2011, SOMO and ICN, together with a group of Indian and international NGOs, sent a letter to those 19 companies, urging them to respond to the concerns raised by SOMO and ICN. Out of these 19 companies, only 7 companies responded.

manufacturers originally investigated for ‘Captured by Cotton’, i.e. Bannari Amman, Eastman Exports Global Clothing, K.P.R. Mill and SSM India. In addition, the report looks into what the industry and other relevant actors promised to undertake to curb documented labour abuses, what has actually been done, and to what effect.

Moreover, the present report aims to provide relevant stakeholders – manufacturers, buying companies (including the companies who failed to respond to the first report), trade unions, local and international civil society organisations, governments and others – with food for thought to enable and spur further action. On the basis of the field research and analysis of promises and actual steps taken by the industry and other relevant actors, conclusions are formulated, as well as practical recommendations.

## 1.3. Methodology

### 1.3.1. Field research

#### Interviews with workers from the four vertically integrated manufacturers

Field research for this report was carried out by the Campaign Against Sumangali Scheme (CASS) in the period August – November 2011. The findings reflect the situation at the four manufacturers until the end of November 2011. In total 180 workers were interviewed – 157 female, and 23 male workers. Individual interviews were held with 137 workers; another 43 workers were interviewed in groups, in nine sessions in total.

The breakdown of interviewed workers per factory is as follows:

Company	Individual worker interviews	Group interviews	Total number of interviewed workers
SSM India	28	2 groups of 5 workers each	38
Eastman Exports	48	3 groups (13 in total)	61
Bannari Amman Group	21	2 groups of 5 workers each	31
K.P.R. Mill	40	2 groups of 5 workers each	50
<b>TOTAL</b>	<b>137</b>	<b>43</b>	<b>180</b>

Of the individual interviews, 72 were conducted in their homes, either during their semi-annual holidays or during sick leave. Another 90 workers were interviewed when they were allowed to leave the factory in groups during a day-off. Among the interviewed workers were nine non-residential workers as well as nine ex-workers.

#### Mapping of factories using the Sumangali Scheme

A mapping was conducted in the districts of Tirupur, Erode, Dindigul and Coimbatore (Annur Block). A total number of 593 factories were screened, out of which 291 were found to be using the Sumangali Scheme.

### 1.3.2. Analysis of actions undertaken by the industry

An analysis has been made of the actions undertaken by companies (manufacturers and buyers), initiatives (both corporate and multi-stakeholder) and governments to address the problems associated with the Sumangali Scheme in the Tamil Nadu garment industry. This analysis consisted of desk research (review of company websites, public statements and policy documents).

In addition, SOMO and ICN engaged in exchanges and conversations with a number of companies and initiatives, both by email and over the phone. Meetings were set up with Business for Social Compliance (BSCI), Fair Wear Foundation (FWF), Social Accountability International (SAI), C&A, Eastman Exports, Primark, Gap and Sumeru Knits (SSM India).

### **1.3.3. Supply chain mapping**

In order to establish the relations between the four vertically integrated manufacturers and their buyers, SOMO and ICN analysed export data from Tuticorin and Madras (Chennai) ports. The export data cover a period of eight months (June 2011 – January 2012). All companies mentioned in the present report were found to be sourcing from the four manufacturers within this period.

#### **Review**

SOMO and ICN shared the preliminary findings of this research with the members of the ETI Sumangali Bonded Labour Group during the afternoon session of the group's meeting on 5 March, 2012.

All companies mentioned in this report (buying and supplying companies) were given the opportunity to review the findings before publication and to provide comments and corrections of factual errors. All reactions have been included in the final version of the report, albeit in a condensed form. Hereby SOMO and ICN have followed common principles of the right of reply.

Of the companies mentioned in the report, the following responded to SOMO and ICN's review request: Abercrombie & Fitch, Bannari Amman, C&A, Cortefiel, Eastman Exports Global Clothing, El Corte Ingles, Ernstings Family, Gap, JD Sports, Klingel, Kmart, K.P.R. Mill, Migros, Oxylane (Decathlon), Mothercare, Primark, SSM India, Timberland.

In addition, SOMO and ICN received input and feedback on the report from Business Social Compliance Initiative (BSCI), Business Social Responsibility (BSR), Ethical Trading Initiative (ETI), Fair Wear Foundation (FWF), Social Accountability International (SAI), Solidaridad, Tirupur Exporters Association (TEA) and the Dutch Ministry of Economic Affairs.

The following companies did not respond to the review request: American Eagle Outfitters, Artis, Bestseller, Brave Kid, Choice Discount Stores, Color Image Apparel, Crew 2000, Crystal Martin, Diadora, Diesel, E.Land World, Express, Falabella, Fashion Box (Replay), French Connection, Garcia, Globus, Gymboree, Harmont & Blaine, Impala Loft 8, Itochu, Jerry Leigh, Jules, Knothe Apparel Group, Liwa Trading Enterprises, Logisport, Lubertex, Marks & Spencer, Mast Industries, Mervin, Nautica, Next, NKD, Norprotex, Philips van Heusen (Tommy Hilfiger), Prestige Impex, Pull and Bear (Inditex), Quicksilver, Ralph Lauren, Ruentex Industries, Sandy Discount Warehouses, Tesco, The Children's Place, Tom Tailor, Top Creation, Van Dale Industries, Wilhelm Knind.

Of the following companies SOMO and ICN were unable to find public contact data: American Sportswear, Baseco, Blue Star Imports, Catecu, Global Traders Network, Iguasport, Importadora Globalistic, LLC Octoblu, Mondial Services, Performance Sports Inc. and TIV Europe. Therefore SOMO and ICN have not been able to establish contact.

## **1.4. Structure of the report**

This report is structured as follows: Chapter 2 describes labour practices in Tamil Nadu textile and garment industry and is divided into two parts. The first part describes the Tamil Nadu textile and garment industry and gives a general overview of the precarious labour conditions in this industry. The second part of Chapter 2 presents profiles of four textile and clothing manufacturers: Bannari Amman Group, Eastman Exports Global Clothing, K.P.R. Mill and SSM India. Each profile details employment practices and working conditions at these factories. Comparisons are made with last year's research findings whenever relevant. Chapter 3 analyses and discusses initiatives undertaken to address labour rights concerns in the Tamil Nadu garment and textile industry. These include initiatives from manufacturers, brands and retailers, local and international civil society organisations and government institutions. The report ends with concluding remarks (Chapter 4) and recommendations (Chapter 5).

## 2. Labour practices in the Tamil Nadu textile and garment industry

The textile and garment industry is of vital importance to the Indian economy. It is a large provider of foreign currency and it is a source of employment, generating work for more than 35 million people. After China<sup>6</sup>, India is the largest exporter of textile yarn. When it comes to exports of apparel items, India holds third place, after China and Bangladesh.<sup>7</sup>

India is a producer of natural raw materials such as cotton, jute, silk and wool. Synthetic fibres are also produced in India, but the Indian garment industry is predominantly cotton based. Major export destinations are Europe and the United States.

### 2.1. The cotton garment supply chain

Over the last decades, large retailers and brand companies have played pivotal roles in setting up decentralised production networks in a variety of exporting countries. Typically, most export countries are developing countries. Brands and retailers set the terms for contractors that make the finished goods. The brands and retailers generally do the designing, branding and marketing but they do not make the products they sell. Profits come from combinations of high-value research, design, sales, marketing and financial services that allow the retailers, designers and marketers to act as strategic brokers in linking overseas factories and traders with product niches in their main consumer markets.<sup>8</sup>

The sales part of the value chain is characterised by high entry barriers for new brand companies and retailers. Entry barriers for manufacturers, by contrast, are low. The relative ease of setting up manufacturing companies has led to an unparalleled diversity of garment exporters in developing countries who are facing immense competition and low returns.<sup>9</sup> This contributes to power imbalances between the retailers/brands and manufacturers.

Retailers and brand companies concentrate on selling garments while transferring, as much as possible, the rest of the production activities to their manufacturing suppliers. It is in the interest of the suppliers to offer a 'full package' service, including upstream and downstream activities. Upstream, meaning taking responsibility for sourcing fabric and trim. Downstream, meaning organising the logistics and transportation, and delivering the items to the retailer's warehouse or even stores in a 'ready-for-sale' packaged state.<sup>10</sup>

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<sup>6</sup> Including Hong Kong.

<sup>7</sup> Based on data from: United Nations Conference on Trade and Development, 'UNCTAD Handbook of Statistics 2011', United Nations, New York and Geneva, 2011.

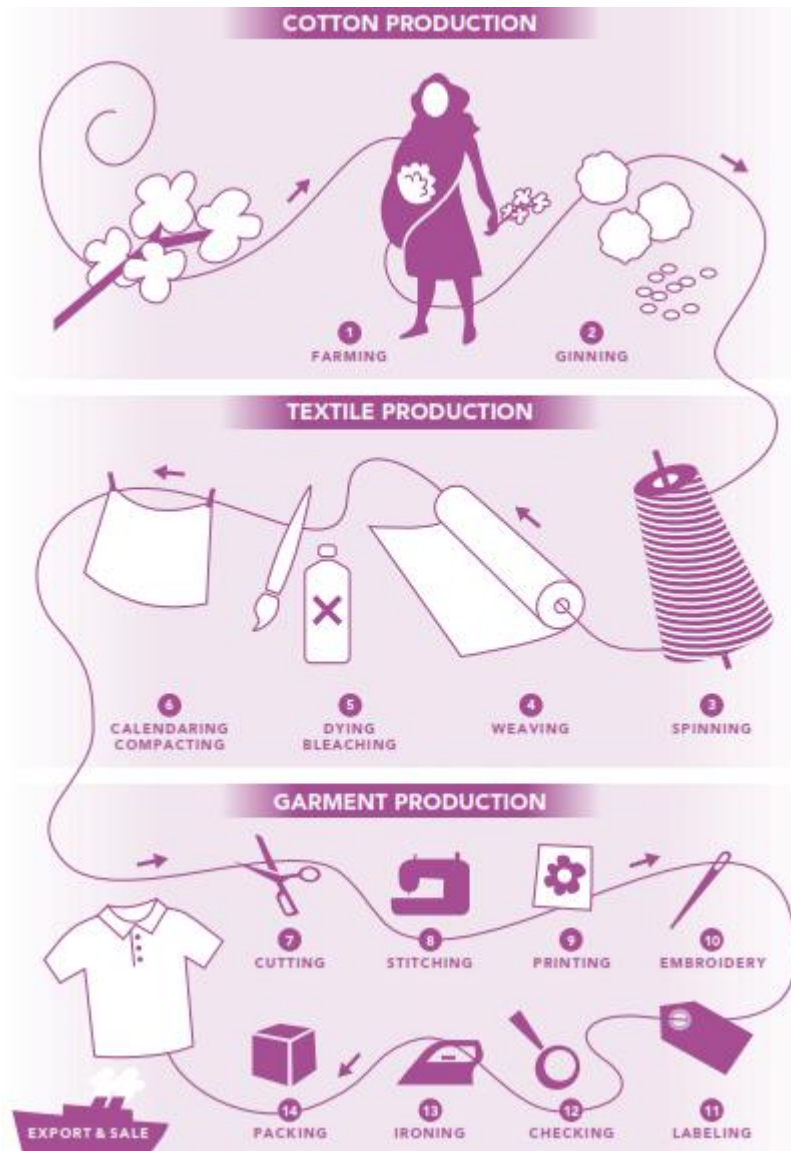
<sup>8</sup> Based on McCormick, D. (2001), Gereffi, G. et al. (2003) The Global Apparel Value Chain: What Prospects for Upgrading by Developing Countries? UNIDO: Vienna and Pan, J. (2008) Global Cotton and Textile Product Chains: Identifying challenges and opportunities for China through a global commodity chain sustainability analysis. International Institute for Sustainable Development (IISD): Manitoba; Devaraja, T.S., Indian Textile and Garment Industry – An Overview (Hassan, India: University of Mysore, May 2011).

<sup>9</sup> Ibid.

<sup>10</sup> The International Bank for Reconstruction and Development, 2008.



Increasingly, fashion retailers have been changing their collections more frequently, from about two to three collections a year, up to as many as eight collections a year. Bulk orders have made way for smaller, more frequent orders that need to reach the stores within the shortest possible time frame. This increased pressure on lead times leads to long working hours, (unpaid) overtime and in some cases forced labour.



## 2.2. The Tamil Nadu textile and garment industry

Tamil Nadu is the largest producer of cotton yarn within India, and home to 44% of all bigger Indian spinning mills and 80% of the smaller mills.<sup>11</sup> Tamil Nadu has also emerged as a global sourcing hub for ready-made garments, next to garment producing hubs in and around New Delhi, Bangalore and Mumbai. Clothing produced in Tamil Nadu is mainly destined for the low and middle price segments of the fashion and retail market.

<sup>11</sup> Government of Tamil Nadu, Department of Handlooms and Textiles website, 'Textile sector', no date, <<http://www.tn.gov.in/hhtk/dht/dht-textile.htm>> (15 February 2012).

In most cases the spinning, weaving, bleaching, dyeing and garmenting take place in separate, specialised plants. Additionally, there are around a dozen manufacturers that combine all these activities within their plants. These vertically integrated manufacturers perform all stages of textile and garment production; from processing the raw cotton to finishing the garments. Entrepreneurs have created a web of smaller units all networked among each other to such a degree that each unit supplies another.<sup>12</sup> The concentration of available services (spinning, weaving, dyeing and garmenting) makes Tamil Nadu a competitive production centre.

Horizontal integration is also found among Tamil Nadu garment producers. This means that the same type of production takes place in many different units under a single firm. For example, one company may operate various garmenting units, under different names. The different production facilities are registered as separate units, despite common ownership.<sup>13</sup> As Verité writes in its report 'Help Wanted: Hiring, Human Trafficking and Modern-Day Slavery in the Global Economy':

'Firms which are expanding simply register spatially separate further units of production (despite common ownership), thus giving the somewhat distorted impression of an industry composed solely of small and medium sized individual firms.

Large units encounter greater difficulty adjusting to global market shifts, and many individually registered smaller units under the umbrella of a larger firm have the flexibility to meet orders that vary drastically in quantity. Labor costs are also reduced since laws affording benefits and labor protection are applied differently (or do not apply at all) to smaller units. Small units with 100-200 machines are more agile and able to handle both small-batch orders and large orders, and even a small unit can fulfil larger orders by utilizing the hundreds of other units to subcontract.<sup>14</sup>

In the past years, the Tamil Nadu garment industry has been facing serious challenges as many dyeing and bleaching units were closed down following an order of the Madras High Court of 28 February 2011. More than 700 units were shut down for not complying with pollution control norms.<sup>15</sup> As a consequence, garment producers have had to resort to dyers and bleachers from other regions resulting in higher transportation costs and consequently higher production costs. In addition, India is facing fierce competition from China and Bangladesh. Buyers are increasingly choosing Bangladesh and China over India. As a result Tamil Nadu garment exporters are facing declining orders.

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<sup>12</sup> Verité, 'Help Wanted: Hiring, Human Trafficking and Modern-Day Slavery in the Global Economy. Regional Report - Indian Workers in Domestic Textile Production and Middle East-Based Manufacturing, Infrastructure and Construction.' June 2010, p 14.-15.

<sup>13</sup> Devaraja, T.S., Indian Textile and Garment Industry – An Overview (Hassan, India: University of Mysore, May 2011).

<sup>14</sup> Ibid.

<sup>15</sup> The Hindu, 'Dyers submit fresh proposals for achieving zero liquid discharge', 13 February 2012, <<http://www.thehindu.com/news/states/tamil-nadu/article2886455.ece> >

### ***Supply chain transparency***

Clothing brands and retailers source from hundreds up to thousands of suppliers, spread across the world. In Tamil Nadu alone, they are likely to deal with dozens of supplying factories. At the other side of the spectrum, the supply factories in Tamil Nadu carry out production for a large group of European and American clothing brands and retailers.

It is not easy to establish the links between the Tamil Nadu based garment manufacturers and their European and American clientele. Except for a handful of frontrunners, disclosure of supplier information is still a rare practice among garment companies. Neither do the South Indian manufacturers readily provide information about their customer base. In order to establish the relations between the researched manufacturers and their buyers, SOMO and ICN analysed export data from Tuticorin and Madras (Chennai) ports. The analysed export data show that companies sourcing from Tamil Nadu include giant retailers such as Kmart, Tesco and Migros; department stores such as Marks & Spencer and C&A; fashion brands like Ralph Lauren, Tommy Hilfiger and Diesel; (fast) fashion retailers including Inditex and Primark and buying houses such as Crystal Martin. Brands and retailers source from both vertically integrated manufacturers and from separate garment factories that in turn source from the thousands of small and bigger spinning mills that are located in Tamil Nadu. All companies mentioned in the present report were found to be sourcing from the four vertically integrated manufacturers that feature in this report. It is, however, nearly impossible to establish the links between the independent spinning mills and the garment factories sourcing from these firms.

## **2.3. Employment and labour practices in the Tamil Nadu textile and garment industry**

### ***2.3.1. Employment schemes and recruitment practices***

Because of labour shortages and high turnover rates, Tamil Nadu textile and garment producers have introduced various employment schemes in order to ensure the retention of sufficient workers.

In many cases this entails multi-year arrangements. After the end of the agreement, which usually lasts for three to five years, workers leave the factory. Workers that come from other districts or states usually come to live in dormitories (hostels) that are either owned by the factory or operated by a third party. Around 40% of the workforce resides in these hostels; they are referred to as camp coolies. It is in the interest of the manufacturers to have a substantial part of their labour force residing on the factory grounds (or in hostels near the factory) so that they are ensured of a constant supply of labour. Spinning mills operate 24 hours a day and workers are needed around the clock to keep the machines going.

### **Recruitment**

Recruitment is targeted at young, mostly unmarried, women and girls, aged between 14 and 25. The majority of these workers have a Dalit (so-called scheduled castes) or other low caste background and come from poor, often landless and indebted families that depend on irregular income earned as agricultural coolies in the dry south of Tamil Nadu. Orphans and children of single parents are also targeted. When free education ends at the 8th grade (at the age of fourteen) parents or relatives lack the means to enrol children in school. Agents that recruit for spinning mills or garment factories are aware of the situation and may approach poor families at this precise time. Brokers convince parents to send their daughters to the textile and garment

factories with promises of a well-paid job, comfortable accommodation, three nutritious meals a day and opportunities for training and schooling. Clothes and household articles are also given to attract the parents. Sending the girls to work in the mills where they will receive daily meals is a relief for the household; the (small) income girls bring in is a much needed addition to the means of the family. The lump sum offered to the girls is a way to meet the social pressure to purchase jewels for their daughters' marriage.

Workers are recruited through a network of brokers spread across the state of Tamil Nadu. Many factory bus drivers also act as brokers. In some cases, workers are employed through a labour agency. For their recruitment a broker will receive 500 to 1,000 Rupees (around €7 - €15)<sup>16</sup> for each worker he or she brings to the factory. Recruitment takes place throughout the year. A range of incentives, financial and otherwise, are in place to motivate recruiters to bring in new workers, especially during production peaks. In order to convince the girls and their parents, recruiters present the deal as attractively as possible. The promises are not written down and only once the girls enter the factories does it become clear that many promises will never be fulfilled.

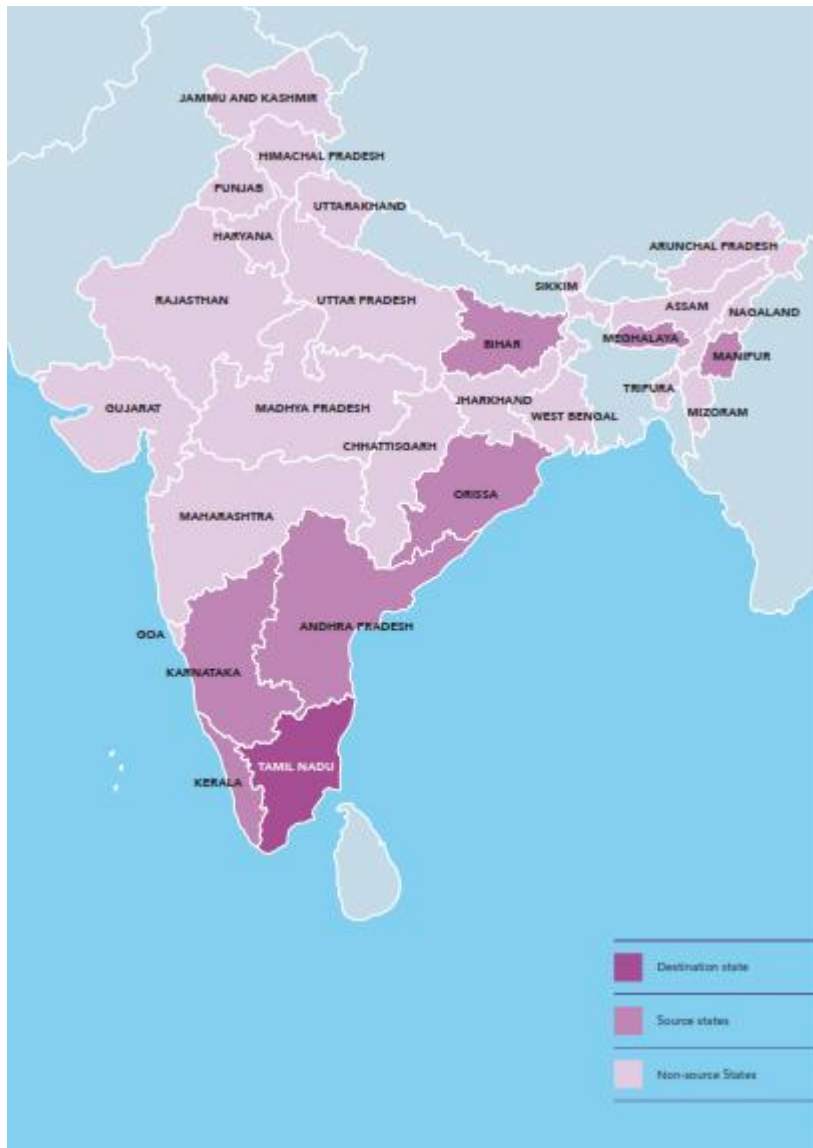
Workers are recruited from all over Tamil Nadu. The chances of local men and women to find employment in nearby textile and garment factories are decreasing. Over the last year recruitment from other states has increased. Migrants from Andhra Pradesh, Bihar, Karnataka, Kerala, Orissa, Manipur and Meghalaya are recruited to work in the Tamil Nadu spinning mills and garment factories. A Tamil language newspaper article estimates that in Tirupur district alone the number of migrants from Northern states who work in the textile and garment factories exceeds 100.000.<sup>17</sup> These workers often do not speak the local language and have no family or friends nearby whom they can resort to if they encounter problems. The dependency of the women workers on their employers has therefore increased.

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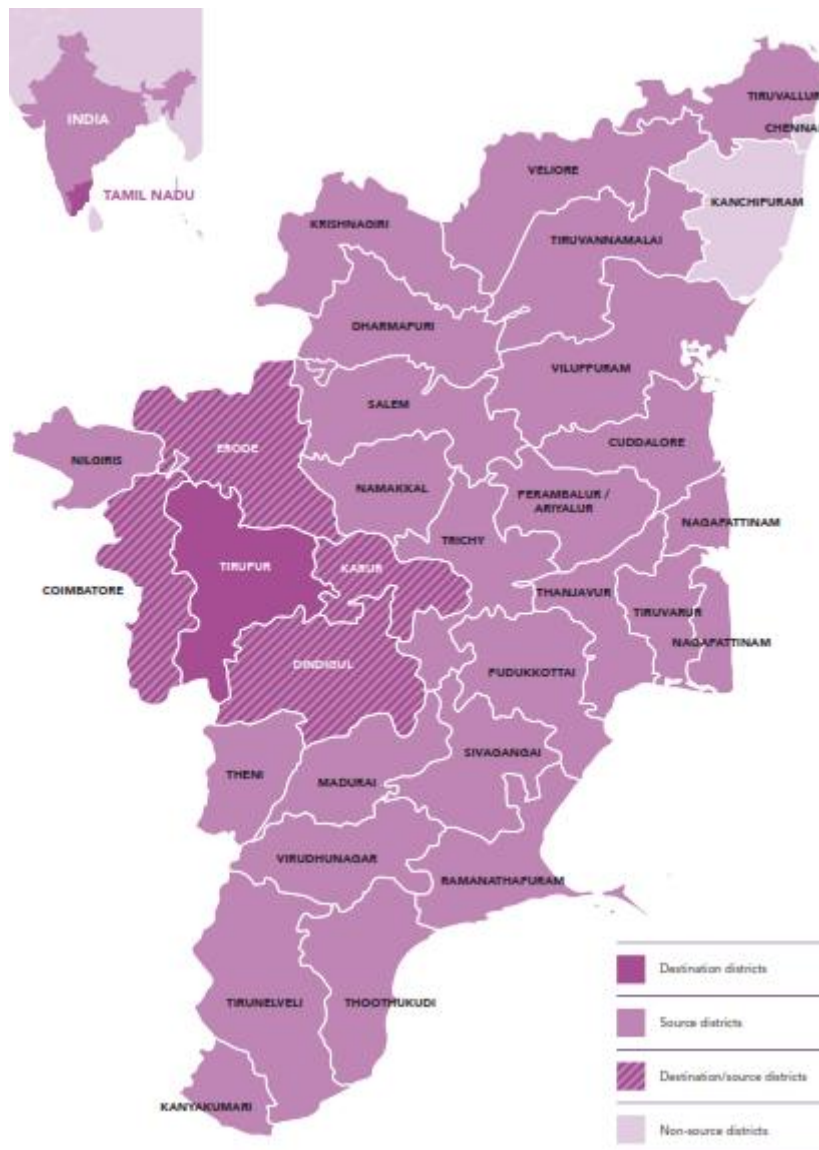
<sup>16</sup> For this report the following exchange rate has been used: 1 Indian Rupee = 0.0153643 Euro (exchange rate of 14 February 2012). The website [www.xe.com](http://www.xe.com) was used in order to determine the exchange rate.

<sup>17</sup> "Thinathanthi", 02.04.2012

## State migration



## District migration



## The Sumangali Scheme

The Tamil word ‘Sumangali’ refers to a married woman who lives a happy and contented life with her husband with all good fortunes and material benefits. Workers under this scheme are recruited with the promise that they will receive a considerable amount of money after completion of three to five years of employment. This amount could be used to pay for a dowry. In this report, these workers are referred to as ‘scheme workers’.

The lump sum amount that workers may receive at the end of the period varies from Rs. 30,000 (€460) to Rs. 56,000 (€860) for three years. Besides this amount, to be paid at the end of the contract period, Sumangali workers receive a monthly stipend. This stipend varies greatly from factory to factory. Interviewed workers reported monthly wages from around 900 Rupees (€14) to 3500 Rupees (€54). If the lump sum is added to the monthly wages, the total amount earned in the contract period in most cases does not equal the amount a worker would have earned if she had received the minimum wage for an apprentice in the garment industry.

The lump sum amount will in most cases only be paid out after completion of a period of three to five years. In order to receive their wages, Sumangali workers are thus forced to stay with a factory for all these years. In many cases, workers never receive the lump sum, nor part of it. Local partner organisations of SOMO and ICN documented 652 cases where the lump sum has not been paid. The lump sum payment is denied if a worker leaves the factory before the end of the contract period. Many workers do not reach the three or five year mark as they fall sick due to the unhealthy and unsafe working conditions and the extremely long working days. Sometimes workers are fired just before the end of the period, under some feeble pretext. In other cases Sumangali workers are cheated out of their lump sum payment because they cannot open a bank account since they are not 18 yet. There are documented cases whereby workers have to continue working even though the agreed period has been completed under the pretext that they have not completed all their 'services'. In many spinning mills workers have to complete a certain number of 'services'. One service is 26 days (one month). If a worker is absent for one day, the contract period will be extended with 1 service (26 days) in order to be eligible for the lump sum payment.<sup>18</sup>

Since the research of SOMO and ICN in 2011, many factories have extended the scheme period from three to five years.

#### **Dalits**

Almost 60% of the girls working under the Sumangali Scheme belong to the 'Scheduled Castes' or 'untouchables'. Dalits, as they call themselves, make up nearly one fifth of the population in India. The caste system divides people on the basis of birth into unequal and hierarchical social groups. Dominant castes enjoy the most rights and least duties, while those at the bottom – the Dalits – in practice have few or no rights. The exclusion of Dalits has led to high levels of poverty and indebtedness. Many of the girls working under the Sumangali Scheme are Arunthathiyars; the lowest group in the hierarchy or 'Dalits among the Dalits'. While Arunthathiyars do not have a tradition of paying a dowry, young girls see a marriage with a dowry as an opportunity to start a new and better life.<sup>19</sup>

Traditionally they are compelled to do jobs such as manual scavenging, removal of dead cattle and burying dead bodies or becoming 'coolies', agricultural day labourers. The garment industry is an exception to this; caste does not act as a barrier to access the industry. Supervisors and managers are mostly non-Dalits, whilst the Arunthathiyars, the lowest ranking Dalits, remain in the least attractive jobs. Furthermore, Dalit girls/women have complained that (male) supervisors belonging to dominant castes scold them severely for minor mistakes; but were kinder towards the other girls.<sup>20</sup>

#### **Numbers behind the Sumangali Scheme**

Despite initiatives of brands, retailers and manufacturers to phase out the Sumangali Scheme, research for this report found there still is a huge number of girls and women working under the Sumangali Scheme. For this report a mapping was done to identify spinning mills and garment factories using the Sumangali Scheme in Tirupur, Erode, Dindigul and Coimbatore districts. The table below shows the results of this mapping.

<sup>18</sup> 'Anthology of Sumangali Case Studies 2010-2011', Tirupur People's Forum for Protection of Environment and Labour Rights, forthcoming.

<sup>19</sup> 'T-shirts and Tumblers'; Carswell, G.; Heyer, J.; Neve, G. de. Looking beyond the industrial cluster: the impacts of a south Indian garment cluster on rural livelihoods (2010).

<sup>20</sup> KFB Austria, 'Advocacy Study on the Impact of the Sumangali Scheme on the Adolescent Girls from Rural Areas of Southern Tamil Nadu'.



District	Total number of factories	Factories with Sumangali Scheme Practices	Number of women workers in scheme practices
Tirupur / Spinning Mills	130	77	20,000
Erode / Spinning Mills	157	63	22,700
Erode Garment Industry	19	7	6,500
Dindigul / Spinning Mills	166	52	28,135
Coimbatore / Annur block*	121	92	21,765
<b>Total</b>	<b>593</b>	<b>291</b>	<b>99,100</b>

\* Only the Annur Block in Coimbatore was included in the survey. It is estimated that the number of factories using the Sumangali Scheme in the whole district of Coimbatore might be three times as high as the number included in the table.

### Apprenticeship scheme/ training scheme

Under the apprenticeship or training scheme, workers are employed as 'apprentices'. These workers either live in the factory hostels or they commute between factory and home. Apprentices may also be employed under the Sumangali Scheme. Local law allows textile and garment manufacturers to employ workers as apprentices for a maximum period of three years while in the rest of India the apprenticeship period is limited to a maximum of one year. Hiring workers as apprentices means that the employer can pay these workers an 'apprenticeship wage'. Furthermore, apprentices are excluded from the protection of most labour laws. The Apprenticeship Act states the following: 'Any law with respect to labour shall, except for the provisions of Chapters III, IV and V of the Factories Act 1948 (health, safety and welfare of the apprentice), not apply to or in relation to an apprentice.' Apprentices can thus be paid lower wages and they enjoy fewer rights than regular workers.

The field research carried out for this report shows that workers employed under this scheme cannot be considered as apprentices. According to the Apprenticeship Act, a worker can be qualified as an apprentice if the employer maintains a record of the training of the apprentice and issues a certificate of proficiency after the apprentice passes a test at the end of the training period. The interviewed workers said that they do not follow any training or courses nor do they have to do a test after completion of the training period. None of the interviewed ex-workers received a certificate of proficiency.

### 2.3.2. Labour conditions in the Tamil Nadu textile and garment industry

#### Contracts/ false promises

In most cases there is no written agreement containing the promises made during recruitment. Moreover, many workers who are recruited under the Sumangali Scheme are under the impression that the promised lump sum payment is a bonus, while in fact the lump sum payment consists of withheld wages.

Workers often do not receive a contract, leaving them without any proof of what has been promised. Sometimes workers receive a contract in a language that they do not understand.

A 2011 study by a local NGO with the support of KFB Austria showed that among 1638 Sumangali workers only 60.74% of the workers had signed a contract, and that an overwhelming majority of these workers (96.1%) did not receive a copy of the contract.<sup>21</sup>

<sup>21</sup> KFB Austria, 'Advocacy Study on the Impact of the Sumangali Scheme on the Adolescent Girls from Rural Areas of Southern Tamil Nadu', Tirunelveli, India, 2011.



## Employment of children

Child labour is forbidden by law in India. According to the Indian Constitution of 1949, 'No child below the age of fourteen years shall be employed in work in any factory or mine or engaged in any other hazardous employment'. It is difficult to ascertain the number of child labourers in the Tamil Nadu textiles and garment industry. Many workers do not have identity papers and thus no proof of their age. When they enter the factory they are subjected to a medical examination by the factory's medical staff. Incidents have been reported whereby the medical staffs draw up medical reports with false age details of the workers or the recruiter provides factory management with a falsified medical document.

A study by a local NGO supported by KFB Austria shows that out of a sample of 1638 Sumangali workers, 18% were younger than 15 at the time they entered the factory.<sup>22</sup> A study by R. Gayathri of the Bharathidasan University confirms this percentage.<sup>23</sup> The problem of child labour is even greater according to international norms. According to the ILO Convention on the Worst Forms of Child Labour, workers under 18 who perform work that is likely to harm their 'health, safety of morals' are child labourers. This includes 'work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer'.<sup>24</sup> The long working hours, the confinement of the girls in hostels and the negative health consequences of working in the spinning mills and garment factories mean that all the girls aged between 14 and 18 are child labourers according to the ILO definition. In the KFB sample, 60% of the workers are aged between 15 and 18. In total almost 80% of the workers interviewed for this study are child labourers under the ILO definition.<sup>25</sup>

## Forced and excessive overwork

Extremely long working days and forced overtime are among the most pressing issues in the Tamil Nadu textile and garment industry. Four hours of compulsory overtime work a day is common, irrespective of the season of business. During production peaks, workers are forced to complete two shifts (16 hours) or even three shifts (24 hours) in a row. Workers also reported that they are frequently woken up in the middle of the night to complete urgent orders. Many of the interviewed workers said that working night shifts is one of the most difficult aspects of their job. Workers have difficulties staying awake and errors are more easily made which may lead to abusive treatment by the supervisor or work related accidents.

Hostel workers in particular are extremely vulnerable to be subjected to excessive and forced overtime work. Refusing overtime work is not an option as the supervisors put pressure on the workers to keep on working. Threats used by supervisors include that part of the wage will be withheld if workers do not continue working or that they will call the workers' parents and inform them about their daughters' bad behaviour. In addition, Sumangali workers fear that they will lose their lump sum amount if they do not do as the supervisors tell them. Workers who stay in dormitories outside of the factory are simply not physically able to get out of work, as buses will not be permitted to leave until the work is finished.

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<sup>22</sup> KFB Austria, 'Advocacy Study on the Impact of the Sumangali Scheme on the Adolescent Girls from Rural Areas of Southern Tamil Nadu'.

<sup>23</sup> R. Gayathri, 'A Study on Issues of Adolescent Girls in Camp Labour Scheme in Textile Sector', Bharathidasan University, Department of Economics, March 2012.

<sup>24</sup> ILO Recommendation 190 'Recommendation concerning the prohibition and immediate action for the elimination of the worst forms of child labour' 1999. <http://www.ilo.org/ilolex/cgi-lex/convde.pl?R190>

<sup>25</sup> KFB Austria 'Advocacy Study on the Impact of the Sumangali Scheme on the Adolescent Girls from Rural Areas of Southern Tamil Nadu' 2011.

## Low wages

Because of on-going deliberations between trade unions and manufacturers, there is no established minimum wage for workers in the textile and garment industry in Tamil Nadu. In 2008 the Tamil Nadu State Government set the minimum wages for apprentices in the mills at Rs. 184 (€2.83) a day with the view to end the exploitation of young women working as 'apprentices'.<sup>26</sup> There are no minimum wages for regular workers. But following the logic that more experienced workers earn more than apprentices; the assumption is that wages should increase when the apprentice period has ended. Compensation for overtime (double wages according to the law) is seldom paid.

## Limited freedom of movement

Workers that stay in dormitories are severely restricted in their freedom of movement. In their free time female workers are not allowed to leave the hostel accommodation freely. Male workers do not experience this limitation in freedom of movement. Outside working hours men are free to leave the factory/hostel grounds. In most cases, when female workers leave the hostel they are accompanied by a guard. Leaving unaccompanied is difficult in a tradition of protecting unmarried girls. In some factories, however, female workers are now allowed to go out in groups, usually once a week or once a month.

Parents and other family members are allowed to visit their daughters on free Sundays, but only if a photograph of these family members has been submitted to the factory management.

The use of telephones is restricted. Sometimes workers are not allowed to use mobile phones. In most hostels there is a common phone, often in the warden's room, which can be used by workers to speak with their parents. Workers can make calls to their parents with the permission and in the presence of the warden. All incoming calls will be received by the warden and given to workers after confirming that the caller is parent of the concerned worker.

## Occupational health and safety

Accidents happen frequently because workers lack training and instructions to properly work the machinery. Fatigue due to excessive overwork is another element contributing to work place accidents.

## Harassment

Workers are physically and verbally abused by male higher-caste supervisors. This occurs if they fall asleep or if their work pace is going down after having worked long hours. Sexual harassment is reported as well, although it is hard to establish how common this is as the willingness to talk about this is very limited.

In a study published in 2010, Verité describes how the brokers network that recruits girls to work in the mills and garment factories, intersects and sometimes overlaps with a network of sex traffickers. According to the Verité report, a system of sex trafficking of girls involved in the Sumangali Scheme is entrenched within the networks of supervisors, factory workers, company managers, staff at hostels and other labour suppliers. The girls, who have no freedom of movement and very little contact with their families, are forced into the sex trade. They work during the day

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<sup>26</sup> The minimum wage for 8 hours of work is 110 Rupees. To this amount a dearness allowance is added to compensate for increasing costs of living. The dearness allowance is set at 74 Rupees.

and are sold as prostitutes during the night. Clients are international buyers, company owners, senior management, supervisors and mid-level management.<sup>27</sup>

### Emotional distress of workers

The combination of extremely long working days, the abusive behaviour of supervisors towards the workers, lack of free time and scarce opportunities to interact with family and friends causes fatigue and physical breakdowns of the workers. Over the last years, alarming reports about workers committing suicide have come to the fore. According to investigations by the Tirupur People's Forum for Protection of Environment and Labour rights (TPF), more than 100 female workers have taken their lives in the past two years because they could not face the hardships of working and living in the factory anymore.

### Freedom of Association

One of the driving forces behind the feminization of the work force is that women are less likely to join a union. Trade unions are not allowed on the premises of the factories and organising workers is very difficult because workers are not aware of their rights. In addition, no independent and effective grievance mechanisms are accessible for the workers.

## 2.4. Current labour practices at four vertically integrated manufacturers

This paragraph describes the current labour practices at the four vertically integrated manufacturers that also featured in 'Captured by Cotton': Bannari Amman Group, Eastman Exports Global Clothing, K.P.R. Mill and SSM India. Comparisons are made with last year's data, and new data have been added.

### 2.4.1. Bannari Amman Group

The Bannari Amman Group is one of the largest industrial conglomerates in South India with a wide spectrum of manufacturing, trading, distribution and financing activities. Manufacturing and trading include sugar, alcohol, liquor, granite, and cotton yarn. The company is listed on the Bombay Stock Exchange.

Two of the groups' companies engage in textile and garment production: Bannari Amman Spinning Mills and Shiva Tex Yarn. Shiva Tex Yarn became part of the Bannari Amman Group through a joint venture with Bannari Amman Spinning Mills. Bannari Amman Spinning Mills reported a net profit (before tax) of Rs. 838,837,000 (€12,888,140) for the fiscal year that ended on March 31, 2011.<sup>28</sup>

Bannari Amman/Shiva Tex Yarn operates two spinning mills in Dindigul. A Coimbatore unit houses spinning, knitting, weaving and garmenting facilities. Bannari Amman's Technical Textiles Division in Coimbatore produces velvet fabrics. The garmenting units operate under the names Yeswe Creations and Bannari Amman Apparels. Both garmenting units are WRAP certified.<sup>29</sup>

<sup>27</sup> Verité 'Help Wanted: Hiring, Human Trafficking and Modern-Day Slavery in the Global Economy. Regional Report - Indian Workers in Domestic Textile Production and Middle East-Based Manufacturing, Infrastructure and Construction.' June 2010, p 20-21, 31-32.

<sup>28</sup> Bannari Amman Spinning Mills Ltd., 21<sup>st</sup> Annual Report 2011, <[http://www.bannarimills.com/stake\\_holder\\_information.php](http://www.bannarimills.com/stake_holder_information.php)> (6 January 2012), p. 21.

<sup>29</sup> WRAP (Worldwide Responsible Accredited Production) website, 'Certified Facility List', Certification Expiry <

For this report 31 workers currently employed at 4 different units were interviewed. The breakdown per unit is as follows:

Name of the unit	Individual workers interview	Group interviews
Bannari Amman Spinning Division-I (Dindigul)	5	1 group made up of 5 workers
Bannari Amman Spinning Division-II (Dindigul)	5	-
Shiva Tex Yarn/Yeswe Creations (spinning, weaving, knitting, garmenting – Coimbatore)	7	1 group made up of 5 workers
Bannari Technical Textiles Division (Coimbatore)	4	-
<b>Total</b>	<b>21</b>	<b>10</b>

### Customers

Abercrombie & Fitch (US), American Eagle Outfitters (US), Blue Star Imports (US), Crew 2000 (UK), Harmont & Blaine (Italy), Impala Loft8 (Germany), Mast Industries (US), The Children's Place (US), TIV Europe (the Netherlands), Prestige Impex (Iceland), Lubertex (Canada), Wilhelm Kind (Germany).<sup>30</sup>

### Scheme workers

1,250 workers are employed under multi-year contracts (three to four and a half years) whereby a lump sum payment is promised at the end of the contract period. Field research conducted in late 2011 revealed that scheme workers are found in all of Bannari Amman's units. Scheme workers either reside in the factory hostels or live at home in nearby villages and are brought to the factory by bus.

In its reaction to the draft version of this report, Bannari Amman writes that 'there is no scheme under any name for hiring and engaging workers in our Group Units'. The company does not provide any details about how it recruits workers, be it direct, via brokers or via recruitment agencies.

Bannari Amman further writes that 'fresh recruits are inducted as Apprentices as per the provisions of Certified Standing Orders and as soon as they complete the period of apprenticeship, they are absorbed as regular employees'.

### Dormitories and freedom of movement

Over 1000 workers live in Bannari Amman's hostels. Workers that live in the factory hostels (located on the factory grounds) are allowed to leave the hostel accompanied by their parents when they come to visit their daughters. This happens rarely though (once or twice in six months), since most parents live far away. Workers are also permitted to leave the hostels in a group accompanied by a warden once every 15 days. In its response to SOMO and ICN, Bannari Amman writes that workers who stay in the hostel enjoy full freedom 'giving due consideration to their safety and security'.

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<http://www.wrapcompliance.org/en/certified-facility-list> (accessed on 5 January 2012).

<sup>30</sup> In order to establish the links between Bannari Amman and its buyers, export data from Tuticorin and Chennai ports were analysed. The export data cover a period of eight months (June 2011 – January 2012). All companies mentioned here were found to be sourcing from Bannari Amman within this period.

## Child labour

The researchers did not find indications of workers under the age of 14 at Bannari Amman. The youngest workers found among Bannari Amman's work force are 16 years old.

In its response to SOMO and ICN Bannari Amman says that before employees are hired the company obtains school or dental certificates as proof of age to ensure that the workers have reached the legal working age.

## Wages

Workers in the spinning units receive a daily wage that starts at Rs. 90 (€1.38) and usually increases until Rs. 110 (€1.69) at the end of the contract period. Scheme workers receive a lump sum payment ranging from Rs. 40,000 (€615) for three years to Rs. 75,000 (€1152) for four and a half years. Workers in the garmenting units (cutting, tailoring, ironing, etc) receive daily wages of Rs. 170 (€2.61) to 190 (€2.91). Checking and packing workers receive Rs. 120-140 (€1.84 - €2.15). Workers in the garmenting units do not receive a lump sum payment.

The research done by SOMO and ICN in 2010/2011 for the 'Captured by Cotton' report showed that workers would not receive any part of the lump sum if they left the factory before the end of their contract period. The new field research finds that Bannari Amman has changed its practices. Interviewed workers said that if they would leave the factory now, before the contract period has ended, they will receive the lump sum amount that they saved so far. The interviewed workers said that they do not receive pay slips and that they do not know if they take part in the Employees State Insurance Scheme or the Employees' Provident Fund.

In its reaction to SOMO and ICN, Bannari Amman claims that it pays its workers more than the minimum wage set by the Government of Tamil Nadu. Bannari Amman does not provide any specific wage details. It should be noted that under Tamil Nadu state law currently there is only a legal minimum wage for apprentices in textile mills. There is no minimum wage for garment workers nor is there a minimum wage for regular workers in the spinning mills.

Bannari Amman further writes that workers do receive pay slips and that the pay slip details the deductions for the Provident Fund, the Employee Pension Fund and other relevant deductions.

## Working hours and overtime

The spinning units operate 24 hours a day. Workers, especially hostel workers, often have to work for 12 up to 16 hours a day (this happens three or four times a week according to the interviewed workers) and sometimes even three shifts in a row. The weekly day-off is not always respected, as workers regularly have to work on Sundays. Production targets for workers are set unrealistically high. Workers are obliged to continue until they complete the target, while being screamed at by the (male) supervisors. Workers are not paid for the extra hours they need to work in order to complete production targets.

In its response to SOMO and ICN, Bannari Amman claims that workers normally work 48 hours per week. Overtime work is solely performed on a voluntary basis, says Bannari Amman, with double wages paid for worked hours.

## Occupational health and safety

Workers do not use safety gear because they feel uncomfortable using it. There is a nurse that takes care of minor injuries and illnesses. Some of the interviewed workers have had to be treated

for fainting and stomach-ache. The interviewed workers said that they had not heard about any serious injuries.

In its reaction to SOMO and ICN, Bannari Amman writes that there is a workers safety committee in place that meets on a quarterly basis.

### Freedom of association

There is no trade union presence at Bannari Amman nor did the interviewed workers know about the existence of a workers' committee.

Bannari Amman writes that there is a grievance committee. Committee members are elected from the workforce and meet on a monthly basis. Workers' concerns are discussed with the management. Bannari Amman further states that it 'strives to address any grievance voiced by the employees immediately through appropriate grievance redressal mechanism involving representatives from workers as well as management. In addition, the top management involves in meeting the different cross section of employees on a monthly basis and interact with them to resolve the grievances if any.'

### Conclusion

Comparing last year's data with the new field research, SOMO and ICN conclude that Bannari Amman has implemented some changes. Bannari Amman's hiring practices have, however, not changed fundamentally. The company continues to recruit workers with the promise of a lump sum payment at the end of a multi-year agreement. Reported changes include the extension of the contract period from three to four and a half years in the spinning mills and an increase in the lump sum amount. In addition some improvements regarding freedom of movement have been reported. The most significant improvement, however, is that as of August 2011, it is possible for workers to receive the saved wages if they decide to leave the factory before the contract period has ended. This means that workers are not forced to complete the entire period of three to four and a half years in order to receive the wages they are entitled to.

No improvements have been reported relating forced and excessive overtime hours, occupational health and safety and freedom of association, although in its response to SOMO and ICN the company states it is "committed" to ethical practices and improving the conditions of its workers. Responding to the draft report, Bannari Amman writes that they have adopted a well-defined social and legal code of labour practices. SOMO and ICN cannot judge this code of labour practices as it has not been shared. On the basis of the field research, SOMO and ICN can only conclude that the implementation of these policies is not yet up to standard.

#### **2.4.2. Eastman Exports Global Clothing**

Eastman Exports is one of the biggest players in the Tamil Nadu textiles and garment industry and supplies a large group of European and US brands. The company is both vertically and horizontally integrated, operating a total of 33 factories.<sup>31</sup> Eastman Exports is a privately held company and does not publish any financial statements. On its website Eastman states it has a business volume of \$250 million<sup>32</sup> (approximately €187 million<sup>33</sup>).

One of Eastman's garmenting units, Nakulan Textiles, is SA8000 certified.

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<sup>31</sup> Eastman Exports Global Clothing, Website Eastman Exports, 'Operations', no date, < <http://www.eastmanexports.com/operations.html> > (3 January 2012)

<sup>32</sup> Eastman Exports Global Clothing, Website Eastman Exports, 'The Group'. No date, < <http://www.eastmanexports.com/group.html> > (3 January 2012).

<sup>33</sup> For the conversion of US dollars to Euros the following exchange rate has been used: 1 USD = 0.0750881 EUR (exchange rate 26 March 2012), The website [www.xe.com](http://www.xe.com) was used in order to determine the exchange rate.



For this research, 61 workers from six of Eastman's 33 production sites were interviewed (see below).

Name of the unit	Individual workers interview	Group interviews
Nakulan Textiles/ Ajay, Garment unit-1 and 2 (Erode)	10	-
Infratex Panikkampalayam (Erode)	5	1 group made up of 3 workers
Infratex, Near Perundurai Bus terminal (Erode)	6	1 group made up of 5 workers
Eastman Exports (Tirupur)	8	-
Sibi Exports (Tirupur)	9	-
Eastman Spinning Mill (Dindigul)	10	1 group made up of 5 workers
<b>Total</b>	<b>48</b>	<b>13</b>

## Customers

American Sportswear (US), Artis (Germany), Baseco (Mexico), Bestseller (Denmark), Brave Kid (Italy), C&A, Catecu (Chile), Color Image Apparel (US), Cortefiel (Spain), Crystal Martin (UK), Decathlon (France), Diadora (Italy), Diesel (Italy), El Corte Ingles (Spain), E. Land World (Korea), Express (US), Falabella (Chile), Fashion Box (Replay, Greece), French Connection (UK), GAP (US), Garcia (the Netherlands), Global Traders Network, Globus (Germany), Gymboree (US), Iguasport (Brazil), Importadora Globalistic, Itochu (Japan), JD Sports (UK), Jules (France), Kmail (Germany), Knothe Apparel Group (US), Liwa Trading Enterprises (UAE), LLC Octoblue (Russia), Marks & Spencer (UK), Mervin (US), Migros (Switzerland), Mondial Services, Mothercare (UK), Nautica (US), Next (UK), Norprotex (France), Performance Sports Inc. (US), Philips van Heusen (US), Pull and Bear (Spain), Quicksilver (France), Ralph Lauren (US), Ruentex Industries, The Children's Place (US), Timberland (US), Tom Tailor (Germany), Tommy Hilfiger (US), Top Creation (Hong Kong).<sup>34</sup>

On its website, Eastman mentions that it operates 33 'state-of-the-art factories'. The company does not provide any information on the names and locations of these factories however. Neither did the company give an overview of its operations upon request.

The research for this report is focused on the following compounds (where various production units are located):

### □ Infratex (Perundurai, Erode district)

Three compounds named Infratex are located in Perundurai, Erode. One site (Erode Main Road) houses Nakulan Textiles and Ajay Knitwear. (Social) audits usually take place at this compound, even though most garmenting work is done at the second compound, Infratex Panikkampalayam. Workers used to stay in dormitories on this complex, but last year the workers were moved to another dormitory some three kilometres away. Every day, the workers are brought to the factories by buses.

The Infratex-Panikkampalayam compound on Chinnimalai Road consists of more than ten units under the names of Nakulan, Ajay, Srihari process, Senthil process and Dhanam Tex. Besides the

<sup>34</sup> In order to establish the links between Eastman and its buyers, export data from Tuticorin and Chennai ports were analysed. The export data cover a period of eight months (June 2011 – January 2012). All companies mentioned here were found to be sourcing from Eastman within this period.

garment production, spinning, knitting and embroidery units are housed here. Next to internal migrants for Tamil Nadu, workers from Orissa and Bihar are staying in these hostels. These workers are not employed at one fixed unit; they are moved from one unit to another, according to production needs.

Another Infracex compound is located near the Perundurai bus terminal. An administrative office is housed here as well as a dormitory for female workers and a canteen.

In its response to SOMO and ICN Eastman writes that “no such production facility in this name of Infracex exists in our group. This was closed almost 8 years back.” Interviewed workers, however, claim to be working for Eastman. Due to the complex ownership structures it is difficult to verify if Infracex still belongs to Eastman Exports.

□ Eastman Exports (Odakkadu, Tirupur)

This is a garment producing unit. Around 100 women workers of this unit are staying in a hostel outside of the factory grounds.

□ Sibi Exports (Pitchampalayam Puthur, Tirupur)

Around 500 workers work at this CMT unit. Also, the head office of the Eastman group is located at this unit.

□ Eastman Spinning Mill/Eastman Textile Mill (Vedasanthur, Dindigul)

Around 1000 workers from nearby villages work at these units. They commute daily between home and work. Furthermore, some 100 workers from remote villages are employed at these units. Most of them are employed via a labour agency called ‘Man Power Resources’ Agent.

## Recruitment

Eastman encourages recruitment of workers aged 18 years and older. Workers are recruited via labour agency ‘Pariyur Amman Man Power Resources’. Also, factory bus drivers often act as recruiters. Workers interviewed for this report stated that they have been instructed not to tell anyone about the way they are recruited.

In its response to SOMO and ICN, Eastman explains that it had been working with Pariyur Amman Manpower Resources until January 2012. A number of workers of Eastman’s spinning mill were hired and paid through this agency. As of January 2012, the factory only recruits workers directly. According to Eastman bus drivers do not act as recruiters or agents.

## Scheme workers

As of April 2010, Eastman phased out the lump sum payment system. Workers are now paid on a monthly basis, without any part of the wages being withheld. A settlement was reached with workers that were working under the Sumangali Scheme at that time. Workers were paid out the wages that had been withheld and were offered the choice to continue working for the factory and receive a monthly wage, without part of the wage being withheld. It seems though, that a settlement has not yet been reached with all workers that started working at Eastman before April 2010. Two workers told the researchers that they would receive a lump sum payment of Rs. 30,000 when they complete three years of work. Furthermore, one interviewed worker that started working at Eastman’s Infracex Perundurai unit at the beginning of 2011 said she would receive a lump sum payment of Rs. 50,000 after completion of three years of work.



In its reaction to SOMO and ICN Eastman denies this reading and states that ‘As a part of the management change in April 2010, the lump sum system was abolished and all the workers were paid their dues and settled. The lump sum amount settled is an additional amount paid to the workers over and above the wages.’

### **Dormitories and freedom of movement**

Approximately 6,000 Eastman workers are living in dormitories, including 1000 male workers. The majority of these workers are employed at Eastman’s cut, making and trim (CMT) units. The hostels are located in and around Eastman’s production sites. While in the past, Eastman did seem to directly manage these dormitories, local researchers were not able to determine who manages them at the moment.

Interviewed workers said that the hostel accommodation has improved during the last year. Rooms are shared by 10 to 15 workers, depending on the size of the room. Improvements regarding freedom of movement were also reported.

Female workers are allowed to leave the dormitory once a week. Security guards monitor the movements of workers. Male workers can go out whenever they want to. Interviewed female workers said that even if they were allowed to go out every day, it would have no use, since they are working until late in the evening. Workers are allowed to use mobile phones in the hostel and their parents are allowed to visit them outside working hours. During their weekly day-off hostel workers are allowed to go out unguarded. Workers that reside in the hostel located in the interior village of Panikkampalayam are not able to leave the hostel once a week because there is no shop in the village for the workers to do their shopping and there is only a sporadic bus service. Interviewed hostel workers from Eastman’s spinning mills said that they were not allowed to speak with outside workers.

In April 2011, some 900 Eastman spinning mill workers were living on the Eastman Spinning Mill campus in Dindigul. Now, around 100 workers reside in this hostel. When Eastman ceased using the Sumangali Scheme and a settlement was reached for former scheme workers (June 2011), a considerable number of workers of Eastman’s spinning mills in Dindigul decided to leave the factory. The majority of current workers at Eastman Spinning Mills are non-residential workers coming from nearby villages.

Eastman informed SOMO and ICN that accommodation is not provided by Eastman. According to Eastman, workers are staying in ‘private and independent hostel accommodations available according to their choice’. Eastman further says that workers always have free access to and from their respective factories. Eastman does not comment on the role of hostel guards.

### **Child labour**

The researchers did not find indications of any workers below the age of 14 at Eastman. The researchers did come across workers in the age groups 14 and 15, though. Eastman is now encouraging recruitment of workers of 18 and above only. In its reaction to SOMO, Eastman denies that workers aged 14 and 15 are employed at its facilities. Eastman claims that as part of the screening process, workers’ age proof documents are verified and to have “zero tolerance for child labour”.

## Wages

New workers start as trainees. Contrary to the widespread practice in Tamil Nadu of hiring workers as apprentices for a period of three years, Eastman has shortened the training period. The trainee-period for new workers is now one to two months.

Wages are paid in cash or through bank accounts. Eastman informed SOMO and ICN that spinning mill workers are paid on a monthly basis and that garment workers are paid on a weekly basis. Workers are either employed under the daily-wage system (fixed wages per 8 hour shift) or under a piece rate system. The interviewed workers do not have a complete understanding about the composition of their wages.

Some workers are employed via 'Pariyur Amman Manpower Resources'. These workers receive their wages through this labour agency. Costs for accommodation are deducted from the salary as well as costs for using the washing machine. Eastman informed SOMO and ICN that it has stopped working with Pariyur Amman Man Power Resources as of January 2012.

Daily wages (based on 8 hour shifts) at the Eastman's garmenting units in Perundurai and Erode vary from Rs. 105 (€1.61) for checking workers to Rs. 169 (€2.59) for tailors. Daily wages at Eastman's spinning units in Dindigul range from Rs. 171 (€2.62) to Rs. 189 (€2.90 based on experience and function. Compared to other manufacturers Eastman pays reasonable wages.

In its response to SOMO and ICN, Eastman writes that wages are paid in accordance with the Wages Act. As said before, there is only a legal minimum wage for apprentices in spinning mills. There is no minimum wage in force for regular spinning mill workers or for garment workers.

## Working hours and overtime

Working hours for garment workers in Eastman's Erode and Tirupur units are as follows. During peak season, from August to March, workers often work a full day and night shift, seven days a week. During peak season it also occurs that workers have to work 24 hours continuously. During these 24-hour shifts, workers get a total of 2 hours break. Interviewed workers also state that they are often woken up in the middle of the night to go to work. In mid-season (approximately two months per year), working days of 12 hours are commonplace. Workers often have to work on Sundays as well during this season. In the low season (approximately two months per year) garment workers work eight hours a day.

Refusing overtime is not possible. Buses will not leave to bring the workers to the hostel until the work is completed. Buses will go to the hostel and pick workers up if the management announces that they have to work on Sunday. Overtime hours are not paid out according to local law (double rate for overtime hours).

Spinning mill workers at Eastman's spinning mills in Dindigul usually work eight hours a day. Overtime is less frequent in these units.

In its response to SOMO and ICN, Eastman claims that all workers only work for mandated working hours and that overtime is performed 'subject to the willingness of the workers'. Eastman further claims that double wages are paid for overtime hours.

## Occupational health and safety

Safety gear is only provided during inspections. In some departments, there is a lot of machine noise. Workers do not use earplugs and say that they are now accustomed to the noise. It is not clear to the workers why they should use the safety gear. There is a welfare committee, but interviewees said it has never done anything for the workers. The interviewed workers also did not know the names of the welfare committee's representatives.

In its response to SOMO and ICN, Eastman writes that 'all factories have provided appropriate personal protective equipment to their workers'. Eastman further writes that workers are frequently trained with respect to the 'significance and usage of the personal protective equipment'. In addition, Eastman says that line supervisors have been instructed to focus on safety aspects apart from monitoring the production performance.

Some of the interviewed workers said that the management keeps an eye on the supervisors so that they do not harass the female workers. Some workers did complain about verbal abuse by the supervisors, however.

## Freedom of association

There is no trade union presence in Eastman's factories. The interviewed workers are not familiar with trade unions.

Eastman, in its reaction to SOMO and ICN, euphemistically says that 'trade unions are in existence in the places where our factories are located' and that 'none of the workers are prevented from joining the trade unions'. Eastman writes that it is quite common for workers to contact trade unions and for trade unions to contact the management to discuss the issues.

## Conclusion

In 'Captured by Cotton' SOMO and ICN reported that Eastman started phasing out the Sumangali Scheme from April 2010 onwards. The new research shows that Eastman has indeed reached a settlement with most of the former Sumangali workers. These workers were paid out the wages that had been withheld and were offered the choice to continue working for the factory and receive a monthly wage, without part of the wage being withheld. Now, the majority of spinning mill workers are workers from nearby villages who live at home. Interviewed hostel workers said their freedom of movement has improved. They are allowed to go out for shopping once a week in a group, without a guard. Workers of the Dindigul units said they are now allowed to use mobile phones.

Another improvement is that Eastman has implemented a policy of hiring workers aged 18 and above. Despite this policy, local researchers did identify workers who appeared to as young as 14 among the workforce. Major concerns remain regarding excessive and forced overtime, occupational health and safety and freedom of association. That 'unions exist in the places where Eastman units are located' does not suffice. What is required is that unions can access workers and negotiate on their behalf.

### **2.4.3. K.P.R. Mill**

K.P.R. Mill is a stock listed producer of ready-made knitted apparel and cotton knitted fabric and yarn. The company reported a 32% in income growth over the fiscal year 2011 and a net income of

\$16,210,561.<sup>35</sup> The company has six production units and employs more than 9,000 workers.<sup>36</sup> It operates a spinning mill (Indiampalayam unit) at Sathyamangalam in the Erode district. Two spinning & knitting units are located in Coimbatore (Karumathampatti and Neelambur plant). A garmenting unit is based in Tirupur. K.P.R. Mill's Sipcot unit in Perundurai specialises in dyeing, bleaching and compacting. The Arasur complex in Coimbatore is the biggest production unit, housing spinning, knitting and garmenting units.

Four K.P.R. Mill units are SA 8000 certified: K.P.R. Mill Limited (Neelambur, Coimbatore), K.P.R. Mill Limited (Arasur Post, Coimbatore), K.P.R. Mill Limited - Processing Division (Sipcot, Perundurai) and Quantum Knits (Arasur Post, Coimbatore).

For this research, 50 K.P.R. Mill workers were interviewed.

Name of the unit	Individual workers interview	Group interviews
K.P.R Mill Pvt Ltd /Quantum Knits Pvt Ltd, (Arasur Post, Coimbatore)	8	1 group made up of 5 workers
K.P.R Mill (Sathyamangalam, Erode)	6	-
K.P.R Mill (Karumathampatti, Coimbatore)	6	1 group made up of 5 workers
K.P.R Mill Pvt Ltd (Neelambur Post, Coimbatore)	10	-
K.P.R Pvt Ltd (Tirupur)	10	-
<b>Total</b>	<b>40</b>	<b>10</b>

## Customers

CAC Anvers Logisport (Belgium), Choice Discount Store (UK), Decathlon (France), Ernstings Family (Germany), Iguasport (Brazil), Jerry Leigh (US), Kmart (Australia/ New Zealand), LLC Octoblue (Russia), Marks & Spencer (UK), Next (UK), NKD (Germany), Primark (Ireland), Sandy Discount Warehouse (UK), Tesco (UK), Van Dale Industries (US) and Wilhelm Kind (Germany).<sup>37</sup>

## Recruitment

K.P.R. Mill states on its website that it recruits women from remote villages<sup>38</sup> and that because a majority of K.P.R. Mill workers come from remote villages they come to live in the factory hostels. However, the long distance between the factory and the workers' home villages is not always the reason why workers live in the factory hostels. The entire workforce of K.P.R. Mill's Sathyamangalam spinning unit is staying in the factory's dormitories even though most of the workers come from the village of Sathyamangalam, just one kilometre away from the spinning mill. It seems workers are housed in the hostels so that they can be put to work at any time. In response to the draft report, K.P.R. Mill writes to SOMO and ICN that workers choose to stay in the factory hostels because their parents request so, and because of 'the availability of Higher Education facility'.

<sup>35</sup> Worldscope, K.P.R. Mill Limited, 18 December 2011.

<sup>36</sup> K.P.R. Mill Limited, Annual Report 2010-2011, 2011 (17 January 2012) < <http://www.K.P.R.milllimited.com/financial.php> >, p. 13-15.

<sup>37</sup> In order to establish the links between K.P.R. Mill and its buyers, export data from Tuticorin and Chennai ports were analysed. The export data cover a period of eight months (June 2011 – January 2012). All companies mentioned here were found to be sourcing from K.P.R. Mill within this period.

<sup>38</sup> K.P.R. Mill, Website K.P.R. Mill Limited, 'Social Commitment', no date, < <http://www.KPRmillimited.com/social.php> > (17 January 2012).

### **Scheme workers**

All K.P.R. Mill units, except for the Tirupur unit, have hostel facilities. The hostels are located on the factory grounds. In the case of K.P.R. Mill's Karumathampatti unit, the hostel is adjacent to the factory. In total, almost 5,000 K.P.R. Mill workers are residing in hostels. Many workers from all units, except the Tirupur unit, are employed under the Sumangali Scheme.

The lump sum payment is only paid out if a worker completes the full three years. If a worker leaves before the end of the contract period, she will not be eligible to receive the amount saved up to that date. Some ex-workers were not able to open a bank account after they completed three years of work at K.P.R. Mill because they were younger than 18. Management told them that they could only transfer the money if they had an individual bank account. The researchers have spoken with seven girls that missed receiving their lump sum for this reason. Four ex-workers told the researchers that they did not receive the lump sum because they could not show a wedding card to the management.

In its reaction to SOMO and ICN, K.P.R. Mill claims that 'Other than the legally stipulated payments no lump sum payment is made by the Company to the employees. The Provident Fund relating to employees are remitted to the Provident Fund Authority (Government of India) and the said fund is governed and regulated by the Government of India. Only the Government (Provident Fund Authority) transfers funds to the Bank Accounts opened in the names of employees upon their leaving their services. As such the Company do not have any control over Provident Fund of the employees.'

### **Dormitories and freedom of movement**

Every room is shared by 10 to 15 workers, depending on the size of the room. Interviewed workers reported that the hostel accommodation as well as freedom of movement has improved since May 2011.

Workers are still not allowed to go out whenever they want, but they are now allowed to go out for shopping once a month. Workers can go in groups of five, without a guard. Workers are also allowed to leave the factory ground with their parents, during visiting hours. Workers are now also allowed to use mobile phones in the dormitories.

Although there is some improvement, workers say that even if they were allowed to go out whenever they wanted to, it would have no use because of the extremely long working days and fatigue.

In its reaction to SOMO and ICN, K.P.R. Mill confirms that workers are allowed to leave the factory grounds with their parents, in the day-time. In addition, K.P.R. Mill states that workers may also leave the factory grounds accompanied by friends.

### **Child labour**

According to SOMO and ICN's local partner organisations workers aged below 14 at K.P.R. Mill's Sathyamangalam unit were sent home after the publication of 'Captured by Cotton'. During the new research, at another K.P.R. Mill operated unit, however, the local researchers again identified workers under the age of 14 at K.P.R. Mill's spinning and knitting unit at Karumathampatty, Coimbatore. This is the unit where new workers receive their initial training before being placed at different units. It is estimated that around 10% of workers at this unit are below 14. It is further estimated that 65% of the total workforce at K.P.R. Mill is below the age of 18.

In its response to SOMO and ICN, K.P.R. Mill claims that age criteria stipulated by the laws of the state are strictly followed.

## Wages

Monthly wages are paid in all units, except for the Tirupur unit where weekly wages are paid. Daily wages for the Tirupur unit vary between Rs. 110 (€1.69) and Rs. 300 (€4.60), depending on the function. Wage details of four other K.P.R. Mill units are included in the table below.

**Wage table K.P.R. Mill**

Salary (monthly wage)	Year 1	Year 2	Year 3	Lump sum (including Provident Fund amount for three years)	Total earnings in 3 years
Arasur	1100 - 2000 (€16.90 - €30.72)	2000 -3000 (€30.72 - €46.10)	3000 - 3600 (€46.10 - €55.31)	56000 (€860)	129,200 – 159,200 (€1985 - €2446)
Karumathampatty	1200 - 2400 (€18.44 - €36.87)	2400 - 3600 (€36.87 - €55.31)	3600 (€55.31)	56000 (€860)	142,400 – 171,200 (€2188 - €2630)
Neelambur	1100 - 1200 (€16.90 - €18.44)	2400 (€36.87)	3600 (€55.31)	56000 (€860)	142,400 (€2169 - €2188)
Sathyamangalam	2000 - 2500 (€30.72 - €38.41)	3000 (€46.10)	3500 (€53.77)	46000 (€707)	148,000 – 154,000 (€2274 - €2366)

K.P.R. Mill says that wages paid are in line with the Minimum Wages Act of Tamil Nadu. As described earlier in this report (see paragraph 2.3.2), other than a minimum wage for apprentices in textile mills, there is no legal minimum wage for textile and garment workers in Tamil Nadu.

## Working hours and overtime

In the peak season, August to March, workers have to work a double day and night shift (16 hours) two or three times a week. In the low season, for approximately two months, workers usually work 8 hours a day. In the other (two) months, workers work 12 hours a day. Overtime work is mandatory and especially hostel workers are vulnerable to forced and excessive overtime. Overtime hours are paid, but not according to local law (double wage). Workers at the Sathyamangalam and Tirupur units work 12 hours a day and the weekly day-off is respected. At the Sathyamangalam unit, overtime hours are not paid. Workers receive a fixed monthly wage.

In its response to the draft report, K.P.R. Mill says that 'long working hours and fatigue are ruled out'. K.P.R. Mill further writes that working hours and overtime work are in compliance with the Factories Act. Workers themselves decide if they want to work overtime and overtime hours are paid as per the Labour Laws, says K.P.R. Mill.

### Occupational health and safety

Masks and aprons are provided, but workers are only instructed to actually use the safety gear when audits or other visits take place. Earplugs are not provided. Workers are also provided with a uniform. Costs for the uniform are deducted from their salary. There is a workers welfare committee, but interviewed workers said that it is just formed for the sake of appearances. The committee is not active.

In its reaction to SOMO and ICN, K.P.R. Mill says that the importance and necessity of safety equipment is explained to the workers at the time of recruitment. K.P.R. Mill writes that safety equipment is provided to the workers free of cost. In addition, K.P.R. writes that the various workers welfare committees are functioning 'effectively, independently and efficiently'.

### Freedom of association

Workers are not familiar with trade unions and there is no trade union presence at K.P.R. Mill. In its reaction, K.P.R. Mill says that the various committees suffice in addressing workers' grievances.

### Social audits

The interviewed workers reported that before an audit takes place a group of workers receives special training. Management instructs the workers on what to say during an audit. The workers are instructed to say that they work eight hours a day. Also, they are told what to say when they are asked about their wage, hostel conditions, and etcetera. Prior to an audit, workers receive 15 days of 'training', where workers have to repeat the answers dictated by the management over and over. Workers told the researchers that they dreaded these training sessions, they felt tormented having to repeat the same lines over and over again.

In its reaction to SOMO and ICN, K.P.R. Mill writes that it offers continuous trainings on basic systems, safety regulations and job oriented training. Workers are also educated on 'various rights and regulations as per the Standing Order'. 'As such no specific training on Pre-Audit is given', says K.P.R. Mill.

### Conclusion

K.P.R. Mill is still employing workers with the promise that they will receive a lump sum amount after completing three to five years of employment. This lump sum amount consists of withheld wages and will only be paid out if the full period has been completed.

The new research reveals that children under the age of 14 were found to be working at the Karumathampatty unit of K.P.R. Mill. Workers are put under great pressure to give specific answers during social audits. Other concerns are excessive and forced overtime, inadequate safety measures and no freedom of association.

The new research also shows that some improvements have been implemented: workers experience slightly more freedom of movement and hostel accommodation has improved. Furthermore, monthly wages and the lump sum amount have increased.

In its reaction to the draft report sent by SOMO and ICN, K.P.R. Mill writes that it strictly complies with national labour laws. Along with its response K.P.R. Mill sends a thick package with documentary evidence (most of it in Tamil) that supposedly proves the company's compliance with relevant laws and regulations. All policy documents that were shared are in Tamil, besides a 4-page excerpt of the Factory's Standing Orders. SOMO and ICN cannot assess the quality of the



company's policies. Moreover, SOMO and ICN conclude that apparently there is a gap between policies on paper and the reality on the ground.

#### **Aadita (13)**

Aadita's parents were approached by a broker. The broker promised Aadita's parents that she would come back home with Rs. 45,000 (€691) after three years. Aadita's parents work as agricultural labourers, but there is not enough work and the pay is low. Out of financial need, Aadita's father decided to send her to K.P.R. Mill in April 2011.

When Aadita arrived she was told that she would have to complete three years of work to be able to receive the lump sum of Rs. 45,000. She was told that she would not receive any part of the lump sum if she would leave the factory before the three-year period would have ended. Aadita was further told that she would receive eight unpaid holidays every six months. After 10 days the management found out that Aadita was only 12 years old. She was asked to leave the spinning mill, along with four other young girls. Aadita left the factory with 170 rupees (€2.61) for ten days of work. According to Aadita, 440 Rupees (€6.76) were deducted from her initial salary for food and accommodation.

#### **2.4.4. SSM India**

SSM India operates six facilities and employs around 6,500 people. SSM India has two spinning units producing cotton yarn, operating under the name Sri Saravana Spinning Mills, both located in Dindigul district. The company's yarn processing division is known as SSM Fine Yarn. SSM Fabric is the division where dyed yarns are processed into piece-dyed fabrics. SSM Fine Yarn and SSM Fabric are also located in Theni district. SSM further operates two garmenting divisions, Sumeru Knits in Coimbatore district and Sumeru Knits Unit-2 (also known as Sumeru Garments) in Sathyamangalam (Erode district). Akshara Textiles in Erode is engaged in textile production.

In response to the draft report SOMO and ICN have received a letter from the senior management of Sumeru Knits, sent on 2 April, 2012, giving information about the situation at SSM India's garmenting and non-garmenting units. SOMO and ICN refer to this letter when the responses and positions of SSM India are given.

In its response to SOMO and ICN, SSM India writes that "We neither have any knowledge nor own a company in the name of SSM Fabric, Theni."<sup>39</sup>

The garment divisions supply various European and US clothing brands. Both garment units are SA 8000 certified.<sup>40</sup>

Name of the unit (District)	Individual workers' interviews	Group interviews
Sumeru Knits (Coimbatore)	5	1 group made up of 5 workers
Saravana Spinning Mill Unit-I (Dindigul)	4	-
Saravana Spinning Mill Unit-II (Dindigul)	3	-
SSM Fine Yarn ((Theni))	3	-
SSM Fabric (Theni)	3	-
Sumeru Knits Unit-2 (Erode)	5	-
Akshara Textiles (Erode)	5	1 group made up of 5 workers
<b>Total</b>	<b>28</b>	<b>10</b>

<sup>39</sup> Correspondence by SSM 2 April, 2012.

<sup>40</sup> Social Accountability International, Social Accountability Accreditation Services 'Certified Facilities List', 30 September 2011, < <http://www.saasaccreditation.org/certifacilitieslist.htm> > (6 January 2012).



## Customers

Crystal Martin (UK), C&A (Belgium/ Germany), John Lewis (UK), Mothercare (UK), Next (UK), Primark (Ireland).<sup>41</sup>

## Recruitment

During the research period (August – November 2011), researchers identified scheme workers at all units of SSM India, in total some 4,000 workers.

In its reaction sent to SOMO and ICN SSM India explains that the textile industry was going through harsh times one or two decades ago and that the industry needed to implement some changes in order to 'sustain and survive'. It was then that the 'lump sum' system was introduced. In its response the company further details that this system 'was perceived to be a mutually beneficial employment practice that was widely accepted both by employer & employee (for well explained cultural-cum-socio-economic reasons & backgrounds)'. The company adds that 'as a proactive sign it has offered one of its spinning units for social compliance audit to the nominating bodies in the recent past'. 'The other units too are soon expected to follow', says SSM.

Commenting upon the draft report, SSM India 'very strongly denies' that anyone is recruited on the lump sum system. In March 2012, as part of their on-going monitoring of the situation in the garment sector, local researchers conducted additional interviews. They cautiously confirm that at the moment, Sumeru Knits (Coimbatore) does not recruit workers with the promise of a lump sum payment anymore.

SOMO and ICN cannot yet confirm this is also true for Sumeru Knits Unit-2 (Erode).

SSM India further writes that for its garmenting units workers are not recruited through agents or brokers. New workers are recruited through the existing work force, says SSM India. How workers for the other units are recruited is not explained.

Sumeru Knits Unit-2 in Erode district recruits girls from Andhra Pradesh through a state government department (DRDA – District Rural Development Agency).<sup>42</sup>

Around 3,000 SSM workers live in the factory hostels.

SSM India workers told the researchers that they have to have a bank account in their own name to be able to receive the lump sum payment. The problem is that workers under 18 cannot open a bank account. Several workers have been cheated out of their lump sum this way. Workers that did receive the lump sum reported that it is always a hassle getting the lump sum. They have to go to the factory several times, accompanied by their parents in order to receive the money. It has also occurred that workers are required to arrange for a successor before they receive the lump sum payment.

## Child labour

The local researchers report that workers as young as 12 working at SSM India. Researchers interviewed a girl of 13 at SSM Fine Yarn who told them to have started working there at the age of 12. Girls below the age of 16 are instructed to say they are 16 if anyone asks. The only document indicating the workers' age is a medical certificate. When workers are under 16, these records are

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<sup>41</sup> In order to establish the links between SSM India and its buyers, export data from Tuticorin and Chennai ports were analysed. The export data cover a period of eight months (June 2011 – January 2012). All companies mentioned here were found to be sourcing from SSM India within this period.

<sup>42</sup> Information obtained from Sumeru Knits (Coimbatore) during a conversation with SOMO and ICN on 30 March, 2012.

falsified. In its reaction to SOMO and ICN, explaining the situation at the non-garmenting units, SSM India writes that “People are recruited only if they are 16 years of age or above.” With regard to the garmenting units SSM India writes that “We recruit only people who have attained the age of 18 (with due age-proofs) and through the reference of existing workforce & their parents.”

## Wages

Wages vary per unit. Wages also differ for residential and non-residential workers. See the wage tables below. Workers do not receive salary slips.

### Wage table scheme workers SSM India (all female)

Unit (District)	Salary per shift	Lump sum amount (3 years)	Total amount earned (3 years)
Sumeru Knits (Coimbatore)	90-120 Rs. (€1.38 – €1.84)	Rs. 30,000 (€461)	Rs. 128,280 (€1,970)
Saravana Spinning Mill, Unit-I (Dindigul)	35 - 120 Rs. (€0.54 - €1.84)	Rs. 46,000 (€707)	Rs. 118,540 (€1,821)
Saravana Spinning Mill, Unit-II (Dindigul)	42 – 110 Rs. (€0.65 - €1.69)	Rs. 40,000 (€615)	Rs. 110,200 (€1,693)
SSM Fine Yarn (Theni)	42 – 110 Rs. (€0.65 - €1.69)	Rs. 40,000 (€615)	Rs. 110,200 (€1,693)
SSM Fabric (Theni)	42 – 110 Rs. (€0.65 - €1.69)	Rs. 40,000 (€615)	Rs. 110,200 (€1,693)
Sumeru Knits Unit-2 (Erode)	3,000 – 3,500 Rs. <b>per month</b> (€46.10 – €53.77)	Rs. 30,000 (€461)	Rs. 147,000 (€2,259)
Akshara Textiles (Erode)	2,500 – 3,000 Rs. <b>per month</b> (€38.41 - €46.10)	Rs. 30,000 (€461)	Rs. 129,000 (€1,982)

### Wage table non-scheme workers SSM India

Unit (District)	Daily salary per shift Male Workers	Daily salary per shift Female Workers
Sumeru Knits (Coimbatore)	Rs. 160-190 (€2.46 - €2.92)	Rs. 120-190 (€1.84 - €2.92)
Saravana Spinning Mill, Unit-I (Dindigul)	Rs.140-160 (€2.15 - €2.46)	Rs. 120 – 137 (€1.84 - €2.10)
Saravana Spinning Mill, Unit-II Dindigul	Rs.120-160 (€1.84 - €2.46)	Rs. 120 – 137 (€1.84 - €2.10)
SSM Fine Yarn (Theni)	Rs.130-160 (€1.99 - €2.46)	Rs. 120 – 137 (€1.84 - €2.10)
SSM Fabric (Theni)	Rs.130-160 (€1.99 - €2.46)	Rs. 120 – 137 (€1.84 - €2.10)
Sumeru Knits Unit-2 (Erode)	Rs. 4,000 – Rs. 4,500 <b>per month</b> (€61.46 - €69.14)	Rs.3,000 to Rs.3,500 <b>per month</b> (€46.10 – €53.77)
Akshara Textiles (Erode)	Rs. 4,000 – Rs. 4,500 <b>per month</b> (€61.46 - €69.14)	Rs. 2,600 – Rs. 3,300 <b>per month</b> (€39.95 - €50.70)

SSM India strongly denies the accuracy of the wages that SOMO and ICN have furnished in the report.

SSM India claims that 'the worker compensation/pay in our garment factories meet & exceed the minimum wages outlined by our Government.' SSM India says that wages in the garmenting units vary from Rs. 3,120 to Rs. 5,200 per month. In fact, this is not in contradiction with findings presented in this report.

In addition, SSM India says that 'workers are eligible for their ESI, EPF, Maternity leave, bonus and leave with wages as per norms from their day-1 with the company.'

Furthermore, SSM India claims to have 'created awareness amongst the employees on receiving their pay/remuneration through bank accounts' and to have 'initiated & opened accounts with bank for our employees to credit their monthly pay directly into the account'.

### **Working hours and overtime**

Non-residential workers usually work shifts of 8 hours. Residential workers have to continue working after the non-residential workers have left. Seven-day working weeks are a common practice as are overtime hours. Interviewed workers reported that they feel obliged to work overtime. Supervisors compel the workers to do overtime by making the following comments: 'You are staying in the hostel, what are you going to do, you will get extra money if you work; all your room friends are working you cannot be alone in the hostel, your family is suffering without money, you have to support your mother, father, brother and sister, do not be lazy.....'

In its reaction to SOMO and ICN, SSM India writes that in the garmenting units 'to the best extent possible, we avoid working overtime. However, when there is a need to work over time, it is purely on a voluntary basis'. Concerning the non-garmenting units, SSM India responds that 'working hours and overtime are followed as per factory norms/prevailing laws'.

### **Freedom of association**

No trade unions are allowed at any of the units of SSM India. Workers are instructed to consult the factory manager, supervisor or warden if they experience any difficulty. However, the interviewed workers said that they find it difficult to approach these people.

In its reaction, SSM India says that workers have the right and are empowered to 'form, join and organise trade unions/committees of their choice to bargain collectively on their behalf with the company/ management'. On this topic no information was provided concerning SSM's non-garmenting units.

### **Freedom of movement**

All of the above mentioned units have hostel facilities on the factory premises or adjacent to the factories. Workers who stay in the hostels are not allowed to leave the factory premises freely. The interviewed workers reported that the situation has improved, though, since May 2011. Workers are now allowed to call their parents and friends (before they could only make phone calls to their parents).

Some of the workers said that there is no need for them to go out as they are too tired from working. In one of the units (Sumeru Knits Unit-2), workers added that there is a shop inside the factory premises and a mega size screen where they can watch movies once a month. The workers said that the need for them to go out is not that urgent because of these facilities.

In its response to SOMO and ICN, SSM India writes that its workers in the garmenting units 'don't experience any restriction regarding freedom of movement'. On this topic no information was provided concerning SSM's non-garmenting units.

### Occupational health and safety

Interviewed workers reported that their workplace is very dusty and that the temperature is very high. Safety equipment is only provided during audits or during visiting hours. Workers said they feel uncomfortable using the safety gear. Workers from the garment unit reported that the quality of food has improved. However, spinning mill workers complain about the food. They said that they even found worms in the food.

SSM India, in its reaction to SOMO and ICN, says that to 'ensure provision of clean, safe & hygienic workplace for all employees', and that there are employees who are trained for first-aid and fire fighting and that all employees are aware of the prevailing health and safety facilities. On this topic no information was provided concerning SSM's non-garmenting units.

### Abusive supervisors

The interviewed workers reported verbal abuse by supervisors. In some cases, workers also experience sexual harassment. Workers hardly dare speak about this subject. Supervisors threaten the girls by saying they will be sent away if they do not do as they are told or if they would inform the factory management about the supervisor's abusive behaviour.

### Conclusion

Workers at SSM India are still employed under the Sumangali Scheme. Reportedly, Sumeru Knits (Coimbatore) stopped using the Sumangali Scheme a few months ago. Other improvements that have been reported over the last months include:

- Workers reported that the hygiene in the hostels has improved.
- Workers are now allowed to use their mobile phone.
- Parent may visit their daughters on their weekly day-off.
- Workers are allowed to go home for a week once every six months.

The company writes that it has recently subjected one of its spinning units to a social compliance audit and that other units are expected to follow shortly. This could mean that further improvements might be on their way. The field research conducted for this report reveals that there is still room for improvement. There are several reports of former workers who did not receive the lump sum amount after they had completed the contract period. Another major concern is that the researchers found workers as young as 12 years old employed at SSM India. The new research also reveals that workers suffer from verbal abuse and in some cases from sexual harassment by supervisors. Other unresolved issues include forced and excessive overtime and occupational health and safety. With regards to freedom of association, no improvement has been made.

### **Devi (16)**

Devi started working at SSM Fine Yarn at the age of 13. Her parents obliged her to go out to work to contribute to the family income. Devi has two younger brothers who are going to school. She feels very sad that she herself was not able to continue her studies. Devi has been working for SSM Fine Yarn for 2.5 years now. She is a non-residential worker. When she joined the factory, she was promised she would receive Rs. 20,000 (€307) upon completion of three years. Devi's daily wage started at 40 Rupees (€0.61), with a 5 Rupee (€0,08) increase after six months. In her second year she earned 50 Rupees (€0.77) and 55 Rupees (€0.85) after another half year. Now, in her third year, she receives 100 Rupees (€1.54) per shift. The wages are paid per month, but there is no wage slip. Every year she gets a bonus of Rs. 1,000 (€15.36).

Devi says that if she takes a day off, twice the daily wage will be deducted from her salary. Although she is emotionally and physically exhausted, she does not dare to take any days off. She is afraid that if she takes another day off, she will not get the lump sum amount.

At the beginning she suffered a lot because of severe pain in her legs. Later on, she also developed a skin allergy due to the working atmosphere. Although there is a nurse, she never received any medical care. Working at SSM Fine Yarn is very hard, emotionally and physically. Devi cries a lot while telling her story. She says the night shifts are the hardest. She finds it very difficult to stay up the whole night. She has to do a night shift once every three weeks. Devi says that the production targets are set unrealistically high. Workers have to continue until they complete the daily target.

Devi feels lucky that she is not staying in the factory's hostels. Although she is not allowed to speak with the hostel workers, Devi heard hostel workers complain about poor hygiene, water scarcity and the inferior quality of food. Girls as young as thirteen are staying in the hostels according to Devi. She says the young girls are having a hard time in the hostel and that they cry a lot.

Devi does not have any proof that she is working in the SSM Yarn. Devi states that she does not know any worker that has received the 20,000 rupees after completing three years. Still, she is hoping that she will receive the amount she was promised. After she receives the money Devi wants to leave the factory.

## **2.5. Conclusion**

Recruitment and employment of women workers under bonded labour schemes, as well as other forms of unacceptable labour abuse persist in the Tamil Nadu textile and garment industry. These practices are mainly found in the spinning units, both within the vertically integrated manufacturers and in the stand-alone spinning mills.

Employers recruit among the most marginalised and least empowered communities in the poorest districts of Tamil Nadu. In addition, over the last year, recruitment of workers from other states has increased.

Since the first report, various improvements in employment conditions have been observed at the four manufacturers. Wages have increased, and so has the final amount that workers may receive at the end of their contracts. Workers at Bannari Amman now receive the saved sum even if they quit their job before the contract has been completed. Eastman Exports and one unit of SSM India (Sumeru Knits in Coimbatore) have stopped using the lump sum payment scheme. Eastman workers now receive monthly wages without part of the wage being withheld. Improvements regarding freedom of movement have been reported at all four manufacturers. Permission to leave the hostel accommodation is granted more easily and sometimes groups of women are allowed to go shopping unaccompanied. However, major problems persist at the four manufacturers. No significant improvements have been found in terms of working hours and forced overtime. Women workers are still expected to work for long hours of forced overtime, sometimes for up to 24 hours a day. Child labour has not been abolished; local researchers mention to have come across girls

younger than 16 at three manufacturers. At two manufacturers (K.P.R. Mill and SSM India), workers below the age of 14 were found among the workforce.

There is no trade union presence at the four manufacturers, nor do these manufacturers have independent and effective grievance mechanisms. There are thus no mechanisms in place for workers to voice their needs.

### 3. CSO, government, industry, MSI initiatives

Since the publication of 'Captured by Cotton' in May 2011, much has been said and done with regard to the Sumangali and Camp Coolie schemes in the Tamil Nadu garment industry. Manufacturers, brands and retailers, as well as local and international civil society organisations, government ministries and agencies have spoken out against the existence of the schemes. Stakeholders have undertaken steps to address the reported issues.

#### 3.1. Local civil society initiatives

Several initiatives have been taken by local and international civil society organisations which continue to put the spotlight on the abuse of girls and women workers under the Sumangali or similar schemes and on other labour rights issues in the South Indian garment and textile industry.

##### Tirupur People Forum (TPF) and the Campaign Against Sumangali Scheme (CASS)

Over the past year, the Indian organisations working together in the Campaign Against Sumangali Scheme (CASS) and the Tirupur People Forum (TPF) have carried out additional field research, for SOMO and ICN as well as for others. In the course of this research they have conducted interviews with workers, labour brokers, and other relevant actors to obtain an updated picture of the labour practices in the Tamil Nadu garment industry. TPF has prepared a report which includes the stories of 20 victims of the Sumangali Scheme, among them three former workers of K.P.R. Mill.<sup>43</sup> This report will be published shortly.

Furthermore, local organisations, organised in CASS and TPF, have continued to provide community support in the form of awareness raising regarding workers' rights under the Sumangali and similar schemes, alternative livelihood skill training, and education for former Sumangali workers. When under-age girls are found to be working in spinning mills or garment units, immediate steps are taken to take these children out of work and put them in school. TPF has documented a number of suspicious deaths among Sumangali workers, involving fact-finding missions in collaboration with local monitoring teams and community leaders. Local civil society organisations have also supported former Sumangali workers in their search for compensation for cases where they did not receive the wages they were entitled to. TPF member organisations have filed more than 45 legal cases in labour courts, and are hopeful that the victims will eventually receive compensation.

When requested, the member organisations of CASS and TPF have shown their readiness to actively engage with brands and respond to media inquiries. TPF also focuses on creating awareness amongst the general public in Tamil Nadu. Moreover, TPF has lobbied with political leaders and officials at State level throughout the year. When the new Labour Minister assumed office, the Minister, the Labour Secretary and the Textile Secretary were briefed about the exploitative conditions in the garment and textile industry. TPF received encouraging feedback from the officials as they assured them they would take up the issue with the officials down the line to ensure remedies.<sup>44</sup>

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<sup>43</sup> Tirupur People's Forum for Protection of Environment & Labour Rights, 'Anthology of Sumangali Case Studies 2010-2011 (publication scheduled for April 2012).

<sup>44</sup> Letter by TPF to SOMO, 16 March 2011.



## Local trade unions

The role of the local trade unions is very limited. Very few of the garment factories or spinning mills in Tamil Nadu are unionised. The four vertically integrated manufacturers that feature in this report also do not have unions. The unions which do exist are generally marginalised. In addition, trade unions have traditionally focused on the male, permanent workforce. Generally speaking, Dalit women are not represented in and do not feel represented by the trade unions. Nonetheless, trade unions have been campaigning for changes in the Industrial Employment Standing Order Act. They are also involved in promulgating more regulatory laws and collective bargaining agreements for the spinning industry. AITUC, ATP, CITU, HMS, INTUC, LPR and MLF are among the unions that are struggling hard to organise the workers in spite of resistance coming from the employers' side. However, not all trade unions are on the same page concerning labour issues and how to address those with employers.

## Tirupur Steering Group (TSG)

In November 2006, the Tirupur Steering Group (TSG) was formed, an informal network of four local NGOs and four local/national trade unions set up to make social audit process more effective in the Tirupur garment cluster. Solidaridad, a Netherlands-based international network organisation<sup>45</sup>, has been instrumental in setting up TSG. In September 2008, the international not-for-profit organisation Prakruthi assumed the responsibilities of the Tirupur programme with the support of Solidaridad.<sup>46</sup> According to Solidaridad, TSG was amongst the first bodies to highlight the issues of the Sumangali scheme and to conduct research to understand exploitative practice and it has come out with a statement on the elimination of exploitative practices in South Indian textile industry.<sup>47</sup> Solidaridad writes that TSG believes that the textile industry is very important in providing employment opportunities for large numbers of people, especially women. Moreover, TSG believes that 'there is nothing wrong with a Bonus Scheme to attract and retain workers, provided the scheme meets minimum standards as set out in Indian labour laws and fundamental rights of the individuals'<sup>48</sup>. Furthermore, TSG believes that the key stakeholders in the textile industry 'need to come together to identify key issues in implementation of this scheme and how it can be made more meaningful and purposeful for employees as well as employers'.<sup>49</sup> It is not clear how well established the TSG really is. None of the other actors attribute importance to the TSG.

## 3.2. Industry initiatives

There are a number of initiatives involving brands, retailers and suppliers that aim to address abuses under the Sumangali Scheme. What follows first is a factual presentation of these initiatives. Second, an assessment of the initiatives provided. The initiatives that we are looking into in this report can be categorised into 4 groups:

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<sup>45</sup> Solidaridad About us: <http://www.solidaridadnetwork.org/about-us>. Solidaridad founded the fashion brands Kuyichi and 100% Organic Cotton, in an effort to demonstrate that sustainable garments and textiles are a viable business model. Solidaridad also works on a project basis with other brands, including Levi Strauss & Co and H&M, with the objective to create sustainable supply chains. Solidaridad established the Made-By network of brands. Full members include Claudia Sträter, Ted Baker and Jackpot. Solidaridad SustainableTextiles; <http://www.solidaridadnetwork.org/textiles>.

<sup>46</sup> Evolution of the Tirupur Steering Group: [http://tirupursg.org/Evolution\\_of\\_the\\_TSG.html](http://tirupursg.org/Evolution_of_the_TSG.html).

<sup>47</sup> 'Update on Solidaridad's work in South Indian textile industry on Sumangali', email by Solidaridad, 2 April 2012.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

- ❑ Initiatives driving collaboration among stakeholders and aiming at generating scale and leverage.
- ❑ Actions focused on first tier suppliers, including auditing.
- ❑ Actions aiming at second and further tier suppliers.
- ❑ Projects with a specific social or community component.

### **3.2.1. Driving scale, generating scale and leverage**

Initiatives aimed at driving collaboration among stakeholders and generating scale and leverage include the Sumangali Bonded Labour Group of the UK-based Ethical Trading Initiative (ETI SBL Group), the Fair Wear Foundation, and the Tirupur Stakeholders Forum (TSF) in Tamil Nadu. Initiatives of business associations and government actions are also categorised as such.

#### **The Sumangali Bonded Labour Group of the Ethical Trading Initiative**

As a multi-stakeholder initiative the UK-based Ethical Trading Initiative (ETI) involves brands, retailers, NGOs and trade unions. From October 2010, ETI started pushing collaboration among its members regarding Sumangali and Camp Coolie schemes. This resulted in the Sumangali Bonded Labour Group (SBL Group) which currently consists of 20 brands and retailers: Arcadia, ASDA, ASOS, Bestseller, Boden, Carrefour, C&A, Gap, H&M, Inditex, John Lewis, Levis & Co., Marks & Spencer, Mothercare, Next, Nike, Otto Group, Primark, Tesco and Tom Tailor as well as a number of civil society organisations and trade unions. The corporate members of the SBL Group include both ETI and non-ETI members.<sup>50</sup> Since October 2010, ETI has organised several meetings for members of the ETI SBL Group. SOMO and ICN had the opportunity to participate in the September 2011 SBL Group conference call, to join a session during the SBL Group meeting on March 5, 2012, as well as to attend the Tirupur Stakeholder Meeting in March 2012.

The May 2011 Joint Statement of Intent 'Eliminating Sumangali & Camp Coolie Abuses in the Tamil Nadu Garment Industry' of which a concept version was included in the 'Captured by Cotton' report, was not endorsed. The programme and objectives of the ETI SBL group have not yet been made public nor has the group come up with any public document about its views on the Sumangali scheme or the way forward. The group has been working from a jointly agreed upon terms of reference with the overarching aim 'to build coordinated action in addressing labour rights concerns affecting young women within the Tamil Nadu garment industry'.<sup>51</sup>

The ETI SBL Group focuses on bonded labour issues, including the exploitation that occurs within the Sumangali Scheme. The main characteristics of bonded labour schemes as seen by ETI are:

- ❑ Schemes are offered to young women (usually 15 and above) with a contract period of three years.
- ❑ With some stipend paid per month and a lump sum paid at the end of the contract period.
- ❑ Usually the women are accommodated in hostels owned or contracted by the manufacturers.
- ❑ The workers are termed as trainees or apprentices for this period.

ETI states that over time the Sumangali Scheme has revealed several exploitative aspects that have created bonded and forced labour conditions for workers. These aspects include:

- ❑ Non-payment of lump sums at the end of the contract period.

<sup>50</sup> ETI considers as members of the ETI SBL Group those companies that have financially contributed to the costs of conducting the activities as described in the terms of reference.

<sup>51</sup> Email correspondence with the Ethical Trading Initiative, April 2012.

- Pressure on workers to stay on until the end of the contract period.
- Non-payment of compensation if any part of the contract period is not adhered to, etc.

Despite the apparent difficulties in the ETI SBL group to achieve common understanding in July 2011 it was agreed within the ETI SBL group to hold a stakeholder event in the region to promote shared understanding, local ownership and more coordinated action. ETI has hired a consultant to prepare for this meeting.

On the basis of the consultant's findings, ETI drafted 'strategies for change'. ETI is calling upon international brands to engage their first tier suppliers with a comprehensive set of labour standards that includes hostels, and workers recruitment practices within and outside of Tamil Nadu. According to ETI, a wider perspective than what audits can offer is needed. A strong case is made for the repositioning of the issue, shifting the focus from the garment industry in Tirupur to the textile industry in Tamil Nadu as a whole. Essential to this is capacity building of the second tier suppliers regarding implementation of labour standards, especially those addressing bonded labour and recruitment practice. ETI stresses that all stakeholders that are crucial for involving second tier suppliers need to be brought to the table. The involvement of SIMA and the Tamil Nadu Spinning Mill Association (TASMA), recruitment agents, government ministries and agencies and workers is deemed to be of the utmost importance. Moreover, ETI stresses the need to involve domestic buyers of yarn, as they represent nearly 50% of the total sales of the spinning industry.

### The 28-29 March Tirupur Stakeholder meeting

On 28 and 29 March ETI and the Fair Labor Association organised a stakeholder meeting in Tirupur. The stated aim of this meeting was to 'develop a common understanding of prevailing labour practices within the textile/garment sector in Tamil Nadu, including the issue of Sumangali'.<sup>52</sup> 'Key aims of the conference are to deliver a coordinated plan that ensure that the young women that work in this industry do so in decent conditions that meet international standards.'<sup>53</sup>

The Tirupur Stakeholder meeting did achieve some of its objectives, especially when it comes to involvement of local stakeholders, but an action plan has not been drafted. The event was attended by 265 attendants who represented suppliers, including mill owners and industry associations (TEA, SIMA and TASMA), representatives from the Tamil Nadu government, local and international NGOs, multi-stakeholder initiatives, brands/retailers, trade unions and workers.

Each stakeholder group presented its view on the employment of young women in the garment/textile sector in Tamil Nadu. While opinions differed a lot, it may be seen as a breakthrough that all stakeholders involved were prepared/there/able to listen to each other's perceptions on the problems and on their own roles and responsibilities. Furthermore, each stakeholder group identified possible actions that can be developed and implemented within the next year (if necessary in coordination with other stakeholders). Suppliers committed to not recruit under the Sumangali Scheme anymore, brands to work on the informing potential workers of their rights in the major recruitment areas. There was a broad consensus that the momentum of the meeting should be continued in the form of a genuine multi-stakeholder initiative, involving industry associations and mill owners as well, facilitated by a neutral body. In this regard GAP, in its reaction to the draft report, states that 'all parties agreed to establish a permanent multi-stakeholder forum in the Tamil Nadu region to help address Sumangali practices and other work-

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<sup>52</sup> Ethical Trading Initiative, Invitation ETI Stakeholder Engagement in Tirupur, Tamil Nadu, 28 & 29 March, 2012.

<sup>53</sup> ETI, Supply Chain Children, <http://www.ethicaltrade.org/news-and-events/news/supply-chain-children>.

place concerns'.<sup>54</sup> The challenge to make sure that this momentum will not be lost lies now with ETI, who has planned a meeting to set an action plan and time frame in May 2012. ETI will lead the process of refining the action points brought up by the stakeholder groups to form concrete, feasible actions and anticipates that the process indeed will lead to the establishment of a Tamil Nadu based multi-stakeholder initiative, to which it can contribute through coordinated support.<sup>55</sup>

#### **Priority action points defined by workers during the ETI/FLA meeting, 28-29 March 2012**

One of the stakeholders groups consisted of (former) Sumangali workers from several mills in different parts of Tamil Nadu. Their three priority actions for the coming year:

- Medical insurance for existing workers
- No more forced overtime
- Allow phone calls from and to home

As a multi-stakeholder initiative, ETI encompasses companies, NGOs and trade unions. The SBL Group is mainly composed of companies while civil society organisations seem to take a back seat. On behalf of the SBL Group, ETI has made efforts to keep non-ETI members in the loop. SOMO and ICN have been kept informed by ETI. The SBL Group has not publicly shared its views or plans.

Initially, the emphasis of the SBL Group was on the bonded labour aspect of the Sumangali and Camp Coolie schemes. Since, the aim of the group has broadened to abolish any types of exploitive practices within the industry. In April 2012, the group was renamed Tamil Nadu Multi-Stakeholder Group.

#### **Tirupur Stakeholder Forum (TSF)**

The Tirupur Stakeholder Forum (TSF) was initiated in September 2010 to 'arrive at a mechanism for understanding the industrial practices related to working conditions and work together to find sustainable solutions'.<sup>56</sup> The initiative brings together Indian garment manufacturers, NGOs and trade unions<sup>57</sup> and is chaired by Mr N. Chandran, managing director of Eastman Exports and Vice President of the Tirupur Exporters' Association (TEA). The Brands Ethics Working Group<sup>58</sup> also participates in TSF. The Tamil Nadu Spinning Mill Association (TASMA) was invited to become a member of TSF, but has not joined the initiative. TEA, in its response to the draft report by SOMO and ICN, writes that TSF closely monitors the situation at garment factories in Tirupur and addresses any issues found. C&A comments that government and mill associations' involvement is missing.

In September 2011, TSF published voluntary guidelines for manufacturers who have hostel facilities regarding migrant women workers employed in spinning and garmenting factories. The

<sup>54</sup> Email correspondence with GAP, April 2012.

<sup>55</sup> Telephone conversation with ETI, 16 April 2012.

<sup>56</sup> Tirupur Stakeholders Forum website, about TSF, no date < <http://www.tsf.org.in/about/>> (14 March 2012)

<sup>57</sup> TSF members are: Prem Knitwear, Best Corporation, Arulbhagya Textiles, K.M. Knitwear, Jupiter Knitting Co., Hero Faschion, S.P. Apparel, SNQS International and SCM Garments (Indian manufacturers), Centre for Education & Communication, SAVE, Prakruthi Welfare Trust and Thadam Social Welfare Trust (Indian NGOs), All India Trade Union Congress, Centre of Indian Trade Unions, MLF, Left Progressive Front, Anna Thozilsanga Peravai, Indian National Trade Union (trade unions).

<sup>58</sup> Members of the Brands Ethics Working Group include C&A, Cortefiel, Gap, H&M, Next, Mothercare, Primark, Tesco and Timberland.

voluntary guidelines offer recommendations covering the following aspects: recruitment, training, terms of employment and hostel facilities.<sup>59</sup> The TSF guidelines decree that 'Factories should be free of any schemes such as Sumangali'. There should be no clause or expectation or agreement by management for serving a minimum number of years. TSF emphasises that wages and deductions like PF and ESI should be in compliance with applicable national laws. The guidelines reject discrimination, and recommend training. The guidelines include clauses on contracts, letters of appointment and pay slips, on wages and on working and overtime hours. Moreover, the guidelines outline that hostels shall provide communication facilities and facilities to enhance freedom of movement of workers. Hostels are to appoint an official coordinator to bridge out the communication gap between the factory management and the migrant workers and constitute a committee comprising 'hostel head, industrial representative from factory, a minimum of five (5) hostel residents who are duly elected, one lady doctor and one NGO representative' to discuss facility enhancement, any grievances, freedom of movement, parental relationships, etc. The TSF Guidelines do not differ much from SIMA's Recruitment Guidelines and Code of Discipline for Women Employment in Textile Industry published in 2010. Topics covered by the guidelines are broad. However, they do not cover the period girls are hired as apprentices and freedom of organisation. Furthermore, while Indian law confines child labour to children under 14, according to the ILO convention on the worst forms of child labour, working in the spinning mills can still be seen, due to the harsh circumstances, as child labour for girls aged between 14 and 18. As yet no mechanisms have been developed to implement or monitor the guidelines. Apparently, manufacturers intend to monitor labour conditions at their facilities themselves.

There is no information available if hostels have indeed appointed the recommended communication coordinators or if the recommended committees to discuss facility enhancement, grievances, freedom of movement, etc. have been constituted, or how these coordinators and committees may function.

### Social Accountability International

SAI is a non-governmental, multi-stakeholder organisation and its mission is to advance the human rights of workers around the world. SAI has developed the SA8000® standard for socially responsible employment practices. Since October 2010, SAI has been encouraging the companies that participate in its Corporate Programs to coordinate with local stakeholders to ensure action against abuses related to Sumangali and Camp Coolie schemes. SAI has also conducted field research in order to get a good understanding of Sumangali practices in the Tamil Nadu garment industry. In SAI's view, the use of Sumangali Schemes has been characterised by:

- ❑ Young women from impoverished villages are recruited, with the promise that they will be able to earn their dowry, while in many cases the lump sum is not paid.
- ❑ The women are employed as apprentices, usually for the entire 3-year period, which is in violation of apprenticeship laws.
- ❑ Lack of freedom of movement, particularly for the women who live in dormitories of the factory (or its contractor), as the majority of women in Sumangali schemes do.
- ❑ Forced overtime.
- ❑ Wages well below the minimum wage.

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<sup>59</sup> Tirupur Stakeholders Forum 'Guidance for Migrant Women Workers in Hostel & the Recruitment Process – Spinning/ Garmenting Factories', 3 September 2011, <  
[http://www.tsf.org.in/documents/TSF\\_GUIDELINE\\_VERSION\\_1\\_0\\_ENG.pdf](http://www.tsf.org.in/documents/TSF_GUIDELINE_VERSION_1_0_ENG.pdf) >

On the basis of this research, SAI, together with Social Accountability Accreditation Services (SAAS), issued a public statement condemning the abusive use of saving schemes, such as the Sumangali Scheme, as unacceptable. SAI is currently implementing a factory-level capacity building programme focused on non-discrimination and gender equity. The programme is part of the Responsible and Accountable Garment Sector (RAGS).<sup>60</sup> In response to the draft report, SAI stresses the importance of working with multiple stakeholders, including trade unions, NGOs, corporations, and governmental agencies, to eradicate the abusive practices related to Sumangali and Camp Coolie schemes, SAI believes that the most effective way to do so is through joint action including different actors with different spheres of influences.

Informed by their engagement in Tamil Nadu, SAI and SAAS have developed a set of work instructions aimed at providing auditors with the tools necessary to identify and root out the continued use of the Sumangali Scheme at the facility level specifically and supplier level generally. Key components of these instructions include meetings with workers in their communities, cooperation and consultation with civil society organisations, factory management and government representatives, as well as auditing techniques tailored to the nature of the Sumangali Scheme. SAAS has instructed SA8000 auditors to specifically pay attention to hiring practices, which includes speaking with recruiters, workers' family members and the workers themselves offsite.

Regarding efforts to bring about improvements further down the supply chain, SAI has communicated that an SAI certified facility must communicate SA8000 requirements to its key suppliers, including any supplier over which a facility may have influence. SAI informs SOMO and ICN that auditors are instructed to investigate suppliers' labour practices and the relationship between the audited facility and its suppliers.

SAI research indicated that the larger CMT (Cut Make Trim) facilities tend not to use the Sumangali Scheme. Sumangali workers typically work in small, family-run spinning mills located in smaller villages. At a SAAS auditors meeting in November 2011 in Bangalore, auditors reported that the Sumangali Scheme is being practiced less. According to SAI, no Sumangali practices were found at SA8000 certified facilities.<sup>61</sup> The 30 June 2011 list of SA8000 Certified Facilities<sup>62</sup> includes a number of units of the four vertically integrated manufacturers investigated by SOMO and ICN:

- ❑ K.P.R. Mill Limited (Neelambur, Coimbatore) – manufacture of cotton yarn
- ❑ KPR Mill Pvt. Ltd. (Sathyamangalam, Erode) – manufacture of cotton yarn
- ❑ K.P.R. Mill Limited - Processing Division (Sipcot, Perundurai) – dyeing, bleaching and compacting
- ❑ Quantum Knits (part of K.P.R. Mill, Arasur, Coimbatore) – manufacture of knitted garments
- ❑ Nakulan Textiles (part of Eastman, Perundurai, Erode) – manufacture of garments
- ❑ Sumeru Knits (SSM India, Sathyamangalam, Erode ) – manufacture of garments

Upon implementing the auditing instructions developed by SAI and SAAS, auditors found the spinning mill of KPR Mill Pvt. Ltd in Sathyamangalam mentioned in 'Captured by Cotton' to be non-compliant with SA8000, confirming the findings in SOMO's report, and as a result, the company

<sup>60</sup> The Responsible and Accountable Garment Sector (RAGS) Challenge Fund supports projects aimed at improving conditions of vulnerable workers in the ready-made garment (RMG) production sector.

<sup>61</sup> Teleconference between SAI and SOMO, 13 December 2011.

<sup>62</sup> Social Accountability Accreditation Services, 'SA 8000 Certified Facilities: As of June 30, 2011', <  
<http://www.saasaccreditation.org/certifacilitieslist.htm> >



lost its SA8000 certification.<sup>63</sup> The other units mentioned above remain certified. New to the list of certified facilities is the Sumeru Knits unit in Kamanaickenpalayam, Palladam.

As of March 2012, SAAS and SAI are instituting a follow-up investigatory mechanism. The programme, under the name Market Surveillance Visits, is comprised of high-level audits conducted directly by SAAS staff and auditors,

Under the SAI approach, individual units of integrated manufacturers may be SA8000 certified, while other units of the same manufacturer go unchecked. SAI's policy states that an SAI-certified facility must communicate SA8000 requirements to its key suppliers. The SOMO and ICN research shows that serious labour rights abuses, including the practice of the Sumangali Scheme, do occur at garmenting and/or spinning units of K.P.R. Mill, Eastman and SSM India. Where SAI communicates that certain individual units of these vertically integrated manufacturers are in compliance with SAI standards, SOMO and ICN emphasise the on-going abuses at other units of the same manufacturers and at suppliers further up the supply chain.

### Fair Wear Foundation

Fair Wear Foundation (FWF) is governed by trade unions, NGOs and business associations, and works with garment and textile companies in Europe to improve labour conditions in their supply chains. India is one of FWF's priority countries. The Sumangali Scheme has become a major point of focus since 2010. FWF set up a strategy to address forced labour with five of its member companies sourcing from South India (Continental Clothing Company, Jack Wolfskin, McGregor Fashion Group, Nudie Jeans and Switcher).

Since July 2011, FWF has audited nine production units in Tirupur and the Coimbatore area. This concerns not only CMT (Cut Make Trim) units, but also units involved in spinning, knitting, dyeing, etc. FWF points out that it is important to work with well-trained and well-informed auditors, especially regarding cultural aspects. Some Indian auditors may themselves have traditional views regarding what is proper behaviour for young unmarried women.

To adequately address the problems found, FWF stresses the following points<sup>64</sup>:

- Training of auditors
- Involvement of local stakeholders
- Offsite workers interviews
- Ensure that workers can express their needs
- Workers' training

In discussions with manufacturers, FWF does address Sumangali-related issues such as 'restriction of movement', 'not paying minimum wage' or 'not paying directly to workers', without directly accusing employers of practicing the Sumangali Scheme.

In corrective action plans, FWF first addresses the urgent occupational health and safety problems such as fire safety in hostels, dust level and noise. Another priority is to require factories to consult local NGOs and provide training to workers in consultation with FWF.

FWF is carrying out a UN funded project to end violence against women in India and Bangladesh. This project aims to set up functioning anti-harassment committees in the factories supplying FWF members. This includes training of workers and management on what constitutes harassment and

<sup>63</sup> Social Accountability Accreditation Services, 'SA 8000 Certified Facilities: As of December 31, 2011', <  
<http://www.saasaccreditation.org/certifacilitieslist.htm> >

<sup>64</sup> Correspondence with FWF, meeting between SOMO and FWF in February 2012.



violence, elections to set up anti-harassment committees and follow-up support. Four brands sourcing from Tirupur have had their suppliers join the project. Through suppliers joining the project, FWF aims at addressing and resolving the Sumangali-related issues found during the audits and during additional worker interviews. As part of the project, FWF will organise Round Table meetings involving the government to discuss harassment issues specifically with the aim of creating a supportive environment.

FWF is setting up an extra complaints hotline for harassment. FWF is also developing a guideline for harassment complaint handling and is working with gender experts to provide training on how to handle sensitive complaints regarding harassment. The hotline operators will work with local partner organisations to handle harassment complaints.

### Dutch trade associations

In April 2011, the Dutch Retail Association (RND/VGT) told SOMO and ICN that it had informed all its members about the 'Captured by Cotton' report and spurred those members mentioned in the report to provide feedback to SOMO and ICN. In a joint reaction with Dutch textile trade associations MODINT and CBW-MITEX to the draft 'Captured by Cotton' report on 29 March 2011, RND/VGT claims to have asked FWF and BSCI on behalf of their members to provide help in a collective and adequate approach and to have suggested to connect with other international initiatives, such as the ETI SBL Group.<sup>65</sup>

In a press statement dated 20 May 2011, the Dutch fashion and textile sector, represented by trade associations CBW-MITEX, MODINT and VGT, expressed the opinion that the Sumangali system, as it exists in the Tamil Nadu region in India, contains elements that are contrary to universal human rights and in breach of the ILO labour conventions. The statement reports that all textile companies sourcing from the region will almost always be confronted directly or indirectly with the Sumangali Scheme. The scheme is found mainly in the spinning mills while it hardly occurs in the Indian garment exporting factories that European companies source from.<sup>66</sup>

In 2012, MODINT, CBW-MITEX and RND/VGT called upon the Dutch government to address the issue of the Sumangali Scheme with the relevant Indian authorities.<sup>67</sup>

### Netherlands governmental action

'Captured by Cotton' was discussed in Dutch Parliament on 24 May 2011. In response to questions of members of parliament, the Minister for Agriculture and Foreign Trade, Henk Bleker, promised to address the issue in his communications with the Indian Minister of Corporate Affairs. Furthermore, he promised to enter into discussions with C&A and said he would urge the company to report on improvements within six months' time.

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<sup>65</sup> Joint reaction by CBW-MITEX, MODINT and RND/VGT to the concept Report on the Sumangali Scheme (March 2011) of SOMO and ICN, 29 March, 2011.

<sup>66</sup> Press response CBW-MITEX, MODINT VGT to the report of the SOMO and Landelijke India Werkgroep on the Sumangali system in India, 'Nederlandse textielbranche erkent problematiek Sumangali-systeem in India' [Dutch textile industry acknowledges issues of Sumangali system in India], 20 mei 2011, [http://www.modint.nl/index.cfm/31.690.c.html/11-05-Persreactie%20%20Sumangali%20\(SOMO\)%20MODINT%20VGT%20CBW%20MITEX.pdf](http://www.modint.nl/index.cfm/31.690.c.html/11-05-Persreactie%20%20Sumangali%20(SOMO)%20MODINT%20VGT%20CBW%20MITEX.pdf)

<sup>67</sup> Meeting SOMO and ICN with representatives of the Dutch Ministry of Economic Affairs, Agriculture and Innovation, 29 February 2012, The Hague.

In November 2011, Minister Bleker sent a letter to the Dutch Parliament, explaining the approach of the Dutch government.<sup>68</sup> The Minister reported on his visit to India earlier that month. In a meeting with Minister Singh of Corporate Affairs, the Dutch government offered to work together with the Indian government in supporting companies to phase out the Sumangali Scheme. Minister Singh accepted this offer.

In the letter the Minister also explains the steps C&A has undertaken thus far. He writes that C&A asked the Dutch government for support in their search for solutions to CSR challenges in India. More specifically, C&A asked the Minister to discuss the issue of the Sumangali Scheme with the Tamil Nadu Minister of Labour. In this regard, the Ministerial letter stated that the Dutch embassy in India will discuss the Sumangali Scheme and broader labour rights issues with the Tamil Nadu Minister of Labour. A meeting between the Dutch ambassador and the Secretary General of the Tamil Nadu ministry of labour took place in March 2012. It seems this meeting has been helpful in securing the involvement of the Tamil Nadu state government and the local labour inspection in the meeting organised by ETI and FLA on the 28th and 29th of March in Tirupur.

The March meeting was also attended by a representative of the Dutch embassy. The Dutch embassy will share the information obtained at this meeting with other Delhi-based embassies of countries where international clothing companies are headquartered. The Dutch embassy together with the other embassies will explore further cooperation regarding labour conditions in the garment supply chain.<sup>69</sup>

### **3.2.2. Auditing and certification**

In an effort to detect and address abuses under the Sumangali and similar schemes and in response to the 'Captured by Cotton' report, brands have stepped up their audits and conducted additional research. However, social audits have many weaknesses and are not sufficient to adequately detect and act upon labour rights violations. Social compliance audits mainly take place at the site where the end product is assembled and with which the buyer has a contractual relationship.

As described in Chapter 2, single units often belong to larger groups. Plants to be audited may have other units of the same group next door that are not part of the audit. Units that are dedicated to other stages of production, such as spinning and dyeing, or other garmenting units belonging to the same group are thus not audited. Especially during production peaks it is not uncommon that different units of one group work on one order to meet delivery schedules. An audit, however, may take place at one unit only. Therefore it may occur that conditions at the unit that is being audited are different from the conditions at other units belonging to the same group.

The field research conducted for this research reveals that workers are under pressure to give certain responses to audit questions. At one manufacturer, special audit trainings were reported to train the workers to give the 'right' responses. In addition, it was found that at least at one supplier age records are falsified in order to cover up the fact that child labourers are among the work force. Concerns about forged accounts of working hours have also been raised. Due to the cultural background of local auditors, they may be insufficiently sensitive to detect caste and gender

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<sup>68</sup> Ministry of Economic Affairs, Agriculture and Innovation, letter to the Dutch Lower House, 'C&A en inspanningen tegen het Sumangalisysteem in de Zuid Indiase textielsector' [C&A and efforts to stop Sumangali system in South Indian textile sector], 23 November 2011.

<sup>69</sup> Email correspondence with the Dutch Ministry of Economic Affairs, Agriculture and Innovation, April 2012.

discrimination. Some auditors, for instance, believe that the restriction of movement of young unmarried women is acceptable.

At best, social audits provide a snapshot of the situation at a certain time at a certain manufacturer. Often, audits only involve short factory visits, and are not enough to uncover underlying mechanisms such as possible oppressive relationship between brokers or employers and workers. Sensitive issues such as sexual harassment are very hard to detect, because workers feel ashamed of speaking out on these issues.

### **3.2.3. Other actions focused on first tier suppliers**

In an effort to detect and address abuse under the Sumangali and similar schemes, brands have conducted extra audits and additional research. Brands also indicated they are working on improving audit methodology and have undertaken a variety of remedial actions.

Remedial actions with first tier suppliers

Besides stepping up audits, some brands have instituted several focused remedial actions with their first tier suppliers. ETI provides an overview<sup>70</sup>:

- ❑ The complete dismantling of the Sumangali Scheme (in some cases).
- ❑ Written contracts.
- ❑ Full monthly payments with added incentives for longer years of service.
- ❑ Payments into bank accounts.
- ❑ Regularisation of working hours and leaves, etc.
- ❑ Workers' trainings focusing on rights, business systems, HR systems, migrant labour issues and women's health.

### **Primark**

One example of a brand undertaking actions with its first tier supplier is Primark, a UK retailer of 'affordable fashion'. Primark confirms sourcing from two of the vertically integrated manufacturers reported on in this report: K.P.R. Mill and SSM. Primark has placed a test order with Eastman, but is not sourcing there at the moment. Primark has set up various programmes to address labour concerns in its South Indian supply chain.

In particular, Primark is working with fair labour organisation Verité and the Association for Stimulating Know-How (ASK) in developing and implementing the 'Fair Hiring, Fair Labour' toolkit. The focus of the programme is on management systems, and in particular on monitoring recruitment procedures. For this programme, four tool kits have been developed regarding: 1. Recruitment, selection and hiring; 2. Screening and managing brokers; 3. On-site management of workers; and 4. Hostels.

The toolkits were created by Verité-ASK based on their Fair Hiring framework, the Verité - Manpower Ethical Broker standards, the Tirupur Stakeholder Guidelines; and local context and law. The toolkits use the Verité Systems Approach, and aim to build management system capacity and internal self-monitoring at the supplier level.

In September 2011, Primark and Verité-ASK launched the toolkits with a two-day workshop. Timberland also attended. The workshop targeted business leaders as well as human resource and compliance managers. Feedback included that poor production planning can be one cause of poor recruitment practices, as well as a lack of due diligence processes for managing brokers. A

<sup>70</sup> ETI Briefing Paper (draft) - Presented to Sumangali/Bonded Labour Group, 5 March, 2012.

second workshop is planned for mid-2012. Primark and Verité-ASK are providing support and consultation for suppliers to implement the toolkits, and will hold a further workshop in 2012 to look at best practices challenges and successes.

Moreover, Primark is collaborating with Geosansar, a Hyderabad-based social enterprise established to provide banking and financial education for low-income workers. Primark has been working on a financial inclusion programme with Geosansar, opening hundreds of bank accounts and providing financial education and awareness building for workers in garment factories. The programme aims to accompany Primark's suppliers in the transition from cash pay role to bank transfer. This has worked out well, reports Primark. Some challenges still remain, such as the issue of bank accounts for workers under 18 years old who are currently unable to independently open an account under Indian banking law. Primark and Geosansar are speaking to relevant stakeholders to find an effective solution.

Positions and activities undertaken by individual companies as mentioned above are certainly laudable in intention. What is lacking is verifiable information about the impact of such steps and activities on the work floor. The overview of activities undertaken by brands on the level of their first tier suppliers as provided by ETI, including the complete dismantling of the Sumangali Scheme, lacks the detail needed to be credible.

In the absence of proper workers' representation and grievance mechanisms, company-led investigations and audits are insufficient tools to address the complex and urgent labour rights violations that are described in this report.

### **3.2.4. Actions targeting second and further tier suppliers**

#### **Ethical Trading Initiative**

ETI called upon the members of the SBL group to do a mapping of their second-tier suppliers including spinning mills. The brands do not appear to have been overly ambitious in doing their homework. That is to say, ETI has repeated its call several times. ETI reports that some brands have made 'direct representations to the spinning industry association – SIMA and TASMA'. ETI mentions one brand is working to develop 'audit processes for spinning mills', but without providing details.<sup>71</sup>

#### **Fair Wear Foundation**

As described above, the Fair Wear Foundation also has carried out a modest number of audits at the second and further tier suppliers of its members.<sup>72</sup>

#### **Social Accountability International**

SAI, as mentioned above, acknowledges the need to look beyond first tier suppliers, including at small spinning mills in the smaller villages. It is, however, says SAI, difficult to get auditors go there.

#### **Solidaridad**

Solidaridad and the Fair Labor Association (FLA) have recently carried out joint research into the Sumangali Scheme. A report is expected by mid-April.<sup>73</sup> The rationale for this research, as

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<sup>71</sup> Ethical Trading Initiative, 'Briefing Paper (draft) – Presented to the Sumangali/Bonded Labour Group, 5 March 2012.

<sup>72</sup> Telephone conversation with SAI, 27 March 2012.

presented by Solidaridad, is that it seems difficult to reach a shared understanding of the issue of Sumangali among the various stakeholders. On the one hand, writes Solidaridad, there is information describing the wide exploitation of young women workers under the Sumangali Scheme, on the other hand, most garment manufacturing units and spinning mills deny the existence of such exploitative practices.<sup>74</sup> Identified labour rights violations coincide with issues as reported by SOMO and ICN: lack of written contracts; Provident Fund (PF) and Employee State Insurance (ESI) benefits are not provided for; deductions for amenities that reduce monthly payment; no health & safety training; accidents; excessive working hours: normal work shifts up to 12 hours plus an additional 4 hours of work which will not be counted as overtime, sometimes work shifts up to 15 hours plus an additional 2-3 hours overtime; young women are paid less than men; verbal abuse is common; physical abuse is not very common but does occur, including sexual abuse; child labour is an issue: many workers look younger than 16 years of age; forced labour is reported: when a worker on a 3-year contract takes leave, the required service is extended for many months; compulsory overtime, compulsory late night shifts, excessive working hours.

Solidaridad is questioning the leverage of brands and retailers in ensuring that no unfair practices take place higher up the supply chain, as brands and retailers have direct relations with first-tier suppliers especially with CMT units. Solidaridad and FLA claim that 'over 80% of Sumangali Scheme are identified to be in the spinning mills sector', while less than 30% of the yarn produced by spinning mills in Tamil Nadu is directly purchased by global brands and retailers. Nevertheless, Solidaridad and FLA stress the efforts to understand overall supply chain linkages that go beyond first-tier suppliers. In this light Solidaridad is working with a couple of spinning mills in Tamil Nadu to identify best practices in working with bonus schemes for attracting and retaining workers without violating labour laws.<sup>75</sup> Solidaridad wants to focus on better practices and on what can be promoted in the South Indian textile industry, especially in the textile mills, rather than focus on what goes wrong. The current project is likely to be completed by May 2012. Solidaridad announces it will start a follow-up project with the participation of a range of actors, including brands and retailers; industry associations; multi-stakeholder initiatives; individual garment manufacturing units and spinning mills. This project will focus on creating awareness on best practices; build capacity of the industry to incorporate such practices; and facilitate the wider uptake of these practices in overall industry practices.<sup>76</sup>

## C&A

C&A is an important customer of Eastman Exports and SSM India. C&A recently became a member of ETI and is also participating in the ETI SBL Group. Furthermore, C&A recently established more direct business relationships (based on a contractual basis) with a number of Tamil Nadu based spinning mills. C&A's code of conduct now applies directly to these spinning mills. C&A has informed SOMO and ICN that it will immediately proceed with unannounced audits. According to C&A, this is a first step to improve working conditions on the mill level.<sup>77</sup>

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<sup>73</sup> Email correspondence between Solidaridad and SOMO, 13 April 2012.

<sup>74</sup> Update on Solidaridad's work in South Indian textile industry on Sumangali', email by Solidaridad 2 April 2012.

<sup>75</sup> Ibid.

<sup>76</sup> Ibid.

<sup>77</sup> Email correspondence with C&A, March 2012.

### Timberland / VF Corporation

Timberland is a customer of Eastman. In September 2011 Timberland was acquired by VF Corporation. With the VF acquisition all second tier suppliers are subject to VF compliance audits (or equivalent industry-recognised process, i.e. SA8000, WRAP, BSR Mills audits), or participate in the BSR Mills & Sundries auditing programme, writes Timberland.<sup>78</sup> This a major step forward since initially the Timberland monitoring programme focused on finished garment producers only.

### Business Social Responsibility Mills and Sundries Working Group

The Mills and Sundries Working Group of Business Social Responsibility (BSR) aims to empower leading apparel and retail companies and their strategic suppliers with tools for proactive management of labour, health, safety, and environmental performance in order to boost competitiveness, while also benefiting workers and the environment. The working group aims to help apparel and retail companies and their suppliers move away from a top-down, pass-fail audit approach, and instead work in partnership to reinforce mutual transparency and continuously improve factory conditions.<sup>79</sup> The Mills and Sundries Working group has developed a collaborative auditing process for apparel mills and sundries. The driver for this process is the recognition of potential risks beyond first-tier suppliers.

Eastman Exports has been asked by Timberland – member of the BSR Mills and Sundries Working Group – to participate in facility assessments by Timberland and agreed to do so. In December 2011, scheduling for these assessments was yet to be initiated. In 2011, the BSR Mills and Sundries Working Group has focused on the examination of the Common Principles, BSR's standards for labour, health and safety and environmental performance, which are used as the basis for the assessment of supplier facilities. In particular, the Mills and Sundries Working Group has been revising the forced labour component of these Principles. One of the drivers for this revision is the growing awareness of Sumangali as a particular issue of concern.<sup>80</sup> The changes include several new elements for assessors to investigate during factory visits, including recruitment practices and freedom of movement. The Mills and Sundries Working group announced it will release the revised assessment tool in early 2012.

The BSR Mills and Sundries Working Group emphasises the need for apparel and retail companies and their suppliers to work in partnership and to reinforce mutual transparency.

Regarding Sumangali, the Mills and Sundries Working Group works with the BSR Common Principles and standards for labour, health and safety and environmental performance. Over the past nine months, one of the key activities for the working group has been an examination of the Common Principles, its standards for labour, health and safety and environmental performance created in 2008 and used as the basis for assessment of supplier facilities. In particular, the group is revising the forced labour component of the Principles. One of the drivers for this revision has been the group's growing awareness of Sumangali as a particular issue of concern. These changes have included several new elements assessors must investigate during factory visits, including recruitment practices and freedom of movement. The group plans to release the revised assessment tool in early 2012.

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<sup>78</sup> Email correspondence with Timberland, April 2012.

<sup>79</sup> BSR Mills and Sundries Working Group. <http://www.bsr.org/en/our-work/working-groups/apparel-mills-sundries>.

<sup>80</sup> Response to SOMO questions. December 21, 2011, BSR Mills and Sundries Working Group.

### **Business Social Compliance Initiative (BSCI)**

The Business Social Compliance Initiative (BSCI) has hundreds of members, including dozens of garment companies.

Tamil Nadu is an important sourcing region within India, writes BSCI, and therefore BSCI participants are confronted with the question of how to deal with labour abuses in their supply chains. In January 2011, BSCI organised a Round Table in India. The Sumangali issue was one of the key points on the agenda. Plans for the organisation of another local Round Table mid 2011 were not completed, because by that time it appeared many different initiatives and activities on the topic were already being rolled out and BSCI opted for joining forces with other relevant activities, rather than duplicating efforts (e.g. participation in the Tirupur Stakeholders Forum and the ETI-coordinated event on 28/29 March).

The focus of BSCI is on first-tier suppliers as this is where BSCI-members exert most influence and have a direct business relationship and communication channel. It is also at this level that auditing and supplier workshops mostly take place. Nonetheless, writes BSCI, it finds it important to inform its members about the challenges found lower down the chain, and issues highlighted by NGOs, such as in the SOMO and ICN report. Sumangali is an issue that will be encountered in spinning mills rather than in garment production. These spinning mills are not usually direct suppliers of BSCI members. That makes it difficult to directly influence their actions, BSCI says. BSCI does feel that it is important to tackle problems where they are found, also farther down the supply chain.

In April 2011, BSCI published 'Guidance on Sumangali'.<sup>81</sup> In this document, BSCI acknowledges that auditing is not sufficient to effect positive change on the work floor. BSCI advises its members to map out whether products are sourced from the region where the Sumangali Scheme is practiced. BSCI also recommends its members investigate whether their direct suppliers subcontract work to spinning mills where the Sumangali Scheme may be practiced, and to inform these direct suppliers of the issues.

Regarding training, the focus of BSCI so far has been on training apparel manufacturers which are suppliers to BSCI members as well as the companies working with the auditing organisation Social Accountability International (SAI), and not much on the spinning mills. However, the training module on supply chain management deals with how apparel manufacturers could engage their suppliers. Going forward, the aim is for the training sessions to also target other suppliers further down the value chain.

### **3.3. Projects with a specific social or community component**

Some brands have linked up with local or international NGOs to address problems related to the Sumangali Scheme through a community approach.

#### **Primark: Grassroots engagement and monitoring**

Primark is working with a local NGO on a grassroots engagement and monitoring programme. The outputs of this programme are summarised as follows<sup>82</sup>:

- Research and investigation of allegations of Sumangali Schemes.

<sup>81</sup> Business Social Compliance Initiative (BSCI), 'Guidance on Sumangali', April 2011, < <http://www.bsci-intl.org/resources/bsci-positions>>.

<sup>82</sup> Primark, 'Primark Ethical Trading', presentation for the ETI SBL group, March 5, 2012.



- Counselling and support services for workers.
- Community awareness and outreach.
- Focus on people and communities most at risk.

As outcomes, Primark mentions:

- Increased brand knowledge and awareness of community, culture, recruitment practices, brokers, etc.
- Increased community awareness of risks. Support and resolution for former and existing Sumangali workers.
- Primark has plans to continue and expand the programme in 2012 by increasing guidance and counselling services. The focus is upon most at-risk communities.

### C&A and Terre des Hommes

C&A is funding a project run by Terre des Hommes: 'Decent Work in Southern Indian garment industries'. Terre des Hommes points out that the Sumangali Scheme constitutes a violation of several Indian laws as well as of ILO Convention 182 regarding the worst forms of child labour and of basic human rights, such as the freedom to move. Terre des Hommes states that about 120,000 girls and young women are working under the Sumangali Scheme in south India. A number of 'push factors' are distinguished, factors which push young women towards accepting to work under such schemes. Material poverty and a lack of choice is the first push factor. The Sumangali workers are subject to gender and caste discrimination. They face violence and repression. They have no or limited access to education, government provisions (BLP-cards, microcredits, etc.), the legal system or complaint mechanisms. Terre des Hommes has formulated a set of demands to business, including:

- Stop employing workers with Sumangali contracts.
- Stop recruiting children below 18 to work in spinning mills.
- Give proper work contracts to all girls and women who are working under the Sumangali Scheme.
- Pay wages in full and regularly. Any overtime must be voluntary and paid.
- Make sure that accommodation is suitable and safe.

In addition Terre des Hommes is calling upon retailers and brands to:

- Monitor supply chains and speak out against the Sumangali Scheme towards business partners and towards employers' organisations.
- Start collective action.
- Include all stakeholders in the planning and monitoring.
- Contribute to interventions against the main 'push' factors to achieve sustainable change.

## 3.4. Conclusion

The past two years or so, manufacturers, brands and retailers, local and international civil society organisations, and governmental bodies have undertaken steps to address labour issues in the Tamil Nadu garment industry, including abuses under the Sumangali and similar Schemes. The publication of the 'Captured by Cotton' report by SOMO and ICN in May 2011 has made decisive impact in pushing relevant actors into action. The Sumangali Scheme and similar recruitment and employment schemes have been denounced as bonded or forced labour, and as such as unacceptable violations of universal human rights. About all actors in the garment supply chain linking garment production in Tamil Nadu to consumers in Europe and the US, from the Indian

government, to yarn spinning mills and manufacturers in Tirupur, to trade unions and NGOs, to brands, retailers and business associations, were compelled to take a position on the matter. Audits were stepped up, audit methodologies reviewed, auditors were trained to detect forced labour, in-depth investigations and research were carried out, stakeholder meetings were organised – etc.

This increased attention for the problems that young Dalit women face in the Tamil Nadu garment industry is certainly hopeful. The impact on the work floor, however, is limited. There has been a lot of talking, but insufficient improvement of conditions on the work floor.

SOMO and ICN consider trade unions to be the designated organisations to represent workers and to negotiate labour rights on behalf of workers. Basic labour rights such as the freedom of association and the right to bargain collectively are not respected. The efforts of local civil society organisations in Tamil Nadu to address labour abuses deserve support. Against all odds, these organisations are persevering in their work for human rights. Most corporate compliance initiatives may pay lip service to engaging with civil society stakeholders, developing stable collaborative relations is another matter. Moreover, multi-stakeholder does not always guarantee that the voice of local organisations is heard.

When looking at the different corporate compliance initiatives, the proliferation of groups, guidelines, and projects leads to urgent concern. Overall, substantial scale has not yet been achieved, despite the number of initiatives. Overlap and duplication and the lack of genuine involvement of civil society stakeholders work against the changes that need to be brought about. There is an urgent need for coordination, scale, and leverage to move the powers that be in the direction of sustainable change and concrete improvement for the workers concerned. Enhanced cooperation among the various initiatives is yet to be achieved.

A serious drawback is the voluntary character of the described corporate compliance initiatives. Companies may or may not join such initiatives. And once on board, companies may or may not actively work with the codes and guidelines that have been developed. A clear example is the TSF Guidelines. Without stringent implementation and monitoring mechanisms, such guidelines are doomed to remain a dead letter.

While most initiatives acknowledge the need to look beyond first-tier suppliers when addressing labour issues, still, buyers mainly focus on their first-tier suppliers. Audits, certification, training, etc, are mostly targeting first tier suppliers.

It is a positive development that companies are seeking collaboration with local civil society organisations, both locally and internationally. It is important also, that companies are willing to support projects that look into root causes of forced labour schemes at a community level. However, such projects should not substitute due diligence processes involving the company's own supply chain. Also, companies should take care not to engage with civil society organisations only on a one-off basis, but aim for structural stakeholder engagement.

## 4. Concluding remarks

Chapter 4 offers concluding remarks, summing up what SOMO and ICN consider to be the key elements of the field and desk research that was conducted from August – November 2011.

### 4.1. Current labour rights situation

The findings of the research show that, to varying degrees, improvements have been implemented at the four manufacturers since the publication of 'Captured by Cotton' report by SOMO and ICN in May 2011. Sumeru Knits, the garmenting unit of SSM India, has stopped using the Sumangali Scheme. Eastman Exports has phased out the Sumangali Scheme throughout all of its operations. Improvements regarding freedom of movement have been reported at all four manufacturers. Permission to leave the hostel accommodation is granted more easily and sometimes groups of women are allowed to go shopping unaccompanied. Workers at Bannari Amman now receive the saved sum even if they quit their job before the contract has been completed. Other improvements include pay raises and an increase of the final amount that workers receive at the end of their contract. However, at the same time, major problems also persist at all four manufacturers. Employers recruit among the most marginalised and least empowered communities, in poverty-stricken districts of Tamil Nadu, and this is reflected in the poor working conditions and circumstances they provide. In addition, over the last year, recruitment of workers from other states has increased. No significant improvements were found in terms of working hours and forced overtime. Women workers are still expected to work for long hours of forced overtime, in exceptional cases even up to 24 hours a day. Child labour still occurs; at three manufacturers girls younger than 16 were found to be working. At two manufacturers (K.P.R. Mill and SSM India), workers below the age of 14 were found among the workforce. There is no trade union presence at the four manufacturers, nor do these manufacturers have independent and effective grievance mechanisms. Therefore, no mechanisms are in place for workers to negotiate their rights and voice their needs.

The findings of the research clearly show that more needs to be done to abolish unacceptable recruitment and employment schemes throughout the Tamil Nadu textile and garment industry. While these practices are mainly found in the spinning units, evidence shows that labour abuses, including forced and excessive overtime, also occur in garmenting units. Even those companies that have joined initiatives geared towards addressing human rights abuses have not been able to ensure their supply chain is free from labour rights abuses.

The research shows that it is possible to effect changes in employment and working conditions in compliance with national and international standards, benefitting workers. The question is why both buyers and suppliers fail to implement the required reforms across the board.

### 4.2. Human rights: standards and practices

The Constitution of India and various laws guarantee basic human rights as fundamental rights and prohibit any forms of discrimination, including caste and gender discrimination. However, in India certain traditionally deeply engrained cultural notions and practices persist that are contrary to national human rights and labour rights regulations and international standards.

Caste discrimination and untouchability practices are still widespread among all walks and ranks of society, despite the abolition of caste discrimination by the 1948 constitution of India and various laws. Discriminatory notions regarding women's roles and behaviour are also particularly persistent. Girls and women have less access to education than boys and men. Women are frequently victims of harassment and sexual violence. They usually earn less than men for equivalent jobs. Traditionally, it is considered inappropriate for young adult women, especially when unmarried, to live on their own or to go about unaccompanied, even when these women have jobs and earn a living. The practice of dowry is still commonplace in rural areas, despite the unequivocal abolishment of the dowry system by the Indian constitution and law.

These practices regarding Dalits and women are still widely encountered in the state of Tamil Nadu. Employers, human resource managers, hostel owners, labour recruiters, auditors, civil servants, labour inspectors, even trade unions and civil society organisations may be influenced by these deeply ingrained notions.

Poverty is an additional disabling factor. Parents often struggle to make ends meet and need their daughters to provide additional income. Young women are expected to save money for their dowries. Women workers who are often uneducated mostly hail from rural, Dalit or other low-caste communities. This contributes to the women accepting hard working conditions.

In order to keep labour costs down and to be able to cope with the competition, employers are in search of cheap labour, even more so when confronted with considerable labour turn-over, decreasing orders and demanding customers. Nevertheless, employers, and by extension their customers, have a heavy responsibility to protect and respect human rights, especially in a situation where rights are at risk.

### **4.3. Transparency**

Generally speaking, information about garment and textile production in Tamil Nadu as well as exports to Europe and the US is hard to come by. Data about exports from South Indian ports are not publicly available. Moreover, in some cases it is difficult to identify the ordering customers because specialised buying companies do the sourcing for various undisclosed clients. Precise data about imports of garment and textile from South India into for instance the port of Rotterdam, the Netherlands, are not publicly available.

Local researchers have mapped out spinning mills and garment and textile producers in Tamil Nadu. It requires a huge effort to get a complete and up-to-date overview of the industry. Local garment and textile producers, including vertically integrated manufacturers, are not transparent about their corporate structure or the precise location of different units. In some cases the complete overview of factories coming under one manufacturer must be pieced together. Public information about the human resources policies of local garment and textile producers is scant. The size of the workforce, the methods by which workers are recruited, by which brokers, whether the workers are lodged in hostels, the location of such hostels, the number of hostels residents – such information is not easily available.

Supply chain transparency is therefore insufficient. Brands and retailers are reluctant to share information about first or further tier suppliers. Also information about volumes, values, order history, distribution of orders over the supply base, etc., is hard to come by. Brands and retailers are quick to categorise such data as confidential business information that cannot be shared in a context of competitiveness. In turn, local manufacturers are not sharing information about their

suppliers, and that includes spinning mills, or suppliers of raw cotton, for instance. Business initiatives, multi-stakeholder initiatives, and trade associations are not forthcoming with such information either. They may lack such information themselves, or are reluctant to share.

#### **4.4. Buyer-suppliers relationships**

A picture of volatile supplier relations emerges from the analysis of export data and the information obtained from brands and retailers. Brands may source from one or more suppliers during a period of months, and then quit and place orders with other ones. Individual buyers spread production over many suppliers. In turn, garment and textile manufacturers source from different spinning mills. Relations between garment and textile manufacturers and their customers may vary. Customers are not necessarily pulling the strings, especially where garment and textile manufacturers are huge conglomerates in their own right.

On the other hand, competition among garment manufacturers is fierce. Manufacturers have to distinguish themselves in terms of price, quality, and lead times. Increasingly brands and retailers are requiring compliance to codes and standards and time-bound corrective action plans are formulated when non-compliance is registered. It is not clear, however, what weight the human rights records of suppliers carry when buyers identify or assess their suppliers. Are potential suppliers excluded from orders on the basis of a negative or ambiguous first audit? Are buyers discontinuing relations with their suppliers on the basis of non-compliances? How are such decisions made? SOMO and ICN have insufficient information to describe the process, let alone to pass judgment.

#### **4.5. Commitment and scale**

Only a relatively small number of companies are as yet truly committed to protecting human rights, and acting upon labour issues, in their supply chain. The majority of the brands and retailers can be classified as 'laggards'. The same is true for the manufacturers. The overall picture shows lack of progress in improving recruitment and labour conditions. The companies who joined initiatives such as Social Accountability International (SAI), Fair Wear Foundation (FWF), Sumangali Bonded Labour Group/renamed Tamil Nadu Multi Stakeholder Group of the Ethical Trading Initiative (ETI SBL Group/TN MS group) and of the Business Social Compliance Initiative (BSCI) combined still only make up a small group with relatively limited leverage.

Business initiatives, multi-stakeholder initiatives, and trade associations have, to varying degrees, developed policies and practices to address abuses under the Sumangali and similar schemes, but it is all on a voluntary basis. Brands and retailers may well be part of this or that initiative, while still not taking any strong action on forced labour issues. Commitment to eradicating labour rights abuses is easily stated, but putting promises into action is another matter.

#### **4.6. Companies' willingness to engage with civil society stakeholders**

In general, the willingness of companies to engage with civil society stakeholders is limited. The responsiveness of brands and retailers towards SOMO and ICN is minimal, for instance. Only a small percentage of the brands and retailers sourcing from Tamil Nadu identified in this research have responded meaningfully to requests for information and review. Out of the 77 companies that were identified by SOMO and ICN only 18 responded to the review request, a mere 23%. A larger

number have flatly ignored all attempts to make contact. By and large, the bigger brands that are known to the public are more responsive. Many companies try to keep flying under the radar, resisting engagement with local and international civil society organisations and refusing outsider scrutiny. Of the initiatives described in this report, few can be categorised as genuine multi-stakeholder initiatives.

#### **4.7. Freedom of association and collective bargaining**

Mature industrial relationships between employers and employees are essential, but sporadic in the Tamil Nadu garment industry. Hardly any of the first or further tier suppliers of the brands mentioned in the report are unionised. Generally speaking the engagement of companies with civil society organisations is on an ad hoc basis.

## 5. Recommendations

### 5.1. Human rights: standards and implementation

- Governments have a duty to protect against human rights abuses by third parties, including business enterprises, through appropriate policies, regulation, and adjudication.
  - The Indian government should develop, implement and enforce national labour and human rights laws and legal regulations, in accordance with international norms and standards to address labour issues described in this report. This should include effective labour inspection.
  - US and European governments should foster an enabling climate for the protection of human rights by business, by taking up these issues with the companies headquartered in their respective countries, in line with the OECD Guidelines for MNEs and the United Nations Guiding Principles on Business and Human Rights.
  - US and European governments should engage in concerted 'CSR diplomacy' and effective collaboration in the context of the ongoing diplomatic and trade relations with their Indian counterparts.
- Companies have a responsibility to respect human rights. Business enterprises should act with due diligence to avoid infringing on the rights of others and to address adverse impacts with which they are involved. In addition to the relevant Indian laws and regulations, the ILO Conventions, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and ISO 26000 are pertinent international norms and standards in addressing labour rights violations in the South Indian garment industry, whichever offers the highest protection to the concerned workers.
  - Brands and retailers should undertake human rights risk assessments, taking into account but not blindly following local cultural notions regarding human rights.
  - Manufacturers and buyers should ensure workers throughout the supply chain are paid a living wage, regardless of the fact that currently there are no state-determined and enforced minimum wages for the garment industry.
  - Brands, retailers and manufacturers should streamline attention to gender discrimination in overall corporate policies and practices. Sensitivity to gender discrimination and the commitment to address gender discrimination should be ingrained in human resource policies, CSR policies, auditing methods, and purchasing practices. Companies should deepen their understanding of gender issues and develop focused tools, programmes and trainings for management, line supervisors and workers. Companies should facilitate the establishment of gender committees allowing workers to discuss and address gender inequity.
  - Brands, retailers and manufacturers should include policies and operational procedures on combating caste discrimination in overall corporate policies and practices. Sensitivity to caste discrimination and the commitment to address caste discrimination should be embedded in human resource policies, CSR policies, auditing methods, and purchasing practices. Companies should deepen their understanding of caste issues and develop focused tools, programmes and trainings for management, line supervisors and workers. The so-called 'Ambedkar Principles, Principles and Guidelines to address Caste Discrimination in the Private Sector', are a useful and practical tool.<sup>83</sup>

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<sup>83</sup> International Dalit Solidarity Network, 'Ambedkar Principles, Principles and Guidelines to address Caste Discrimination in



- The ILO should present a clear statement that the Sumangali Scheme and similar recruitment and employment schemes qualify as forced labour.

## 5.2. Transparency

- The South Indian garment and textile sector should provide information about corporate structure, including the precise location of different units.
- Local garment and textile producers should share information regarding human resource policies, including information on the size of the workforce, the methods by which workers are recruited, by which brokers, whether the workers are lodged in hostels, the location of such hostels, the number of hostels residents, etc.
- Brands and retailers as well as local manufacturers should share information about first and further tier suppliers, including information about factory names, possible alternative factory names, locations, whether they are strategic suppliers, the duration of the supplier relation, etc.
- Business initiatives, multi-stakeholder initiatives, and trade associations should take the lead in facilitating further supply chain transparency in the global garment sector. Brands, retailers and manufacturers must develop a positive and proactive view on inter-sector sharing of business related information, within the limits of applicable anti-trust regulations.
- Companies should communicate openly about audit procedures, specific audit findings, specific corrective action plans and progress in action, certification schemes, for instance on corporate websites or in annual CSR reports.
- Buyers to provide transparency about the weight accorded to the human rights record of suppliers when identifying or assessing new and/or existing suppliers.
- Transparency about garment and textile exports and imports is needed for all stakeholders in order to get a better insight into concrete situations that need improvement and which parties should play a role in it. Governments should make available basic information on imports and exports for the concerned ports, including dates, volumes, values, etc. for the different product groups.

## 5.3. Supply chain responsibility

- Supply chain responsibility means that companies have a responsibility to ensure human rights are respected beyond the first tier suppliers. This is true for brands and retailers as well as for manufacturers. On the basis of the findings and conclusions as presented in this report, particular attention should be paid to the following issues: gender discrimination, caste discrimination, abuse of saving schemes, bonded labour, and freedom of association.

- Identifying human rights risks is a first step that needs to be repeated regularly.
  - To detect human rights abuses, focused investigations and tailor-made audit methodologies are needed.
  - Close consultation and collaboration with local stakeholders are required.
  - To act upon detected non-compliances, time-bound corrective action plans need to be developed and implemented.
- Buyers should refrain from discontinuing relations with suppliers on the basis of non-compliance. This is true for brands, retailers and local manufacturers in relation to their respective suppliers. 'To cut and run' is not an effective way of impressing upon suppliers that they should improve labour conditions. It is to be preferred as a company to first use available leverage, either as an individual company or if necessary together with other companies, to ensure human rights are respected.
- Purchasing practices should enable and not inhibit suppliers to be decent employers. To maximise impact regarding labour issues, buyers may need to limit the spreading of production over too many suppliers. Buyers, i.e. brands, retailers and local manufacturers, should strive for continuity in trading relations with multi-year contracts to ensure economic security for suppliers. Placing substantial orders will allow buyers to wield more influence over their suppliers. Pricing policy should honour the social and environmental quality of products provided. Reasonable supply lead times are required in order to avoid exercising excessive pressure on workers and thus violating workers' rights throughout the supply chain. Buyers should facilitate the reinforcement of the capacity of suppliers to meet CSR standards, for example through training and integrated supply chain planning.

#### **5.4. Sector collaboration, generating scale**

- Undeniably, each individual company has an individual responsibility to abide by national labour laws and international human rights and labour norms and standards. At the same time, the global garment industry also has a collective responsibility to ensure human rights are respected throughout the global supply chain. This should become visible in the policies and actions of trade associations and employers' associations both in garment producing and importing countries.
- Stringent implementation of individual company codes and initiative codes is required. Non-compliance of company members of initiatives with initiative codes should be addressed. The voluntary character of these initiatives should become more obligatory. Financial commitment is required.
- Increased collaboration among brands, retailers, manufacturers and suppliers further up the supply chain is needed. All relevant actors should be on board when dialogue is organised and action plans are developed. It is of the utmost importance to have, for instance, SIMA, TASMA and the relevant Indian governmental agencies at the table, as well as the brands and retailers that thus far have been unresponsive. Initiatives should focus on scale and leverage, without, however, lowering the normative bar.
- While there may be value in different approaches, the proliferation of multiple initiatives with similar objectives can be counterproductive. The initiatives described in this paper such as SAI, the ETI SBL Group, BSCI, BSR, and other initiatives, should strive for

collaboration, to avoid overlap and duplication. Efforts should be made to identify, promote and share 'best practices'.

## 5.5. Freedom of association and collective bargaining

- All parties involved should ensure that independent trade unions can play their designated roles. First and foremost, the right of workers to form and join trade unions and to bargain collectively should be protected and respected. These enabling rights permit workers to defend their rights, voice grievances, and negotiate recruitment and employment conditions, including wages.
  - Companies should commit to facilitating the establishment of independent trade unions throughout the supply chain.
  - Manufacturers should provide trade unions with immediate access to workers, both at the workplace and in hostels.
  - Companies should support and facilitate training of management, workers, and workers' representatives (separately and jointly) in freedom of association, collective bargaining, labour-management relations, occupational health and safety, and caste and gender issues. Such training should be delivered by trade unions or credible labour rights organisations.
  
- To deal with workers' needs and complaints, grievance procedures should be put in place. Such grievance procedures should meet the following core criteria: legitimacy; accessibility; predictability; equality; compatibility with internationally acceptable rights; transparency. Complaint procedures should provide a basis for of continuous learning and improvement. Company's grievance procedures are an important supplement to collective bargaining, but may never be used to replace this legitimate process.

## 5.6. Stakeholder engagement

- Companies should engage directly with trade unions and NGOs.
  - Increased responsiveness to and collaboration with international and local NGOs and trade unions is required, when such organisations express serious labour concerns.
  - Such collaboration preferably takes place in a multi-stakeholder setting. A credible and effective multi-stakeholder initiative should ideally respond to the following criteria: democratic selection of board members, meaningful engagement of the intended beneficiaries; local ownership; effective grievance mechanism, and transparency of the initiative towards external stakeholders.