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Employment Intensity of Output: An Analysis of Non-Agriculture Sectors

Apparel Sector

Institute of Applied Manpower Research

Planning Commission, Government of India

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Indrakumar

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Executive Summary

Apparel industry is one of the largest employment providing sectors in the country. The apparel is also the finest value added segment of the textile industry. Apparel sector is the single largest sector which is earning maximum foreign exchange for the nation. Totally 15 percent of the exports are from the apparel segment. The sector has provided total employment of 3.66 million in 1999-2000 which has increased to 8.92 million for the year 2004-05 with the compound annual growth rate of 19.5 percent between 1999-2000 and 2004-05. However, a negative growth (almost (-)4 percent) was registered for the period between 2004-05 and 2009-10. The employment has come down from 8.92 million in 2004-05 to 7.32 million in 2009-10 recording an absolute decrease of 1.60 million.

Objective of the Study

To explore the reasons for negative growth of employment in apparel sector during the reference period 2004-05 to 2009-10.

Methodology and Sampling Technique

Various stakeholders at different levels were approached with the proper surveyed tools and techniques. Cluster-wise approach was followed to gather the reasons.

Findings

Common factors which cause the slowdown in employment in the country are:

- Slowdown/decline in export orders affected the working days of the units –workers were quietly given layoffs. It was mainly due to global crisis and slowdown in Europe and the US economy.

- Atomization/modernization – machineries have replaced labourers: Not only labourers, even the managerial and administrative positions were also replaced with machineries. Introduction of new software for accounting (like tally) caused replacement of three accountants with one computer employee.

- Price competitiveness of goods with the eighbouring countries like Bangladesh, China, and Pakistan: In these countries the cost of production is very less and inputs are available at cheaper prices as compared to India especially inputs such as cotton, yarn and labour.

- Export-import policy of the government: Government accorded permission to export cotton and yarn which affected the domestic market largely. On the other hand, Import of fibers is not allowed which also affected the possible growth opportunities of the sector.

- Removal of quota in the hope of improved business led to stiff competition for local producers rendering them non-profitable. Workers were forced to leave the units and move towards better employment avenues.

- Closure of large number of units due to various other reasons such as pollution, causing 750 Dyeing units in Tirupur to close (on the order of Honorable Madras High Court, January 2010).

- Increasing input costs especially of cotton and yarn.

- Since Apparel is a seasonal business, orders and prices are being fixed at least 3 months beforehand. Change in the price of inputs in between badly affects the business.

- Huge shortage of power in many clusters.

- Introduction of new taxes, multi-stage taxation, increasing interest rates.

- Product diversification gap in India due to non-availability of technical/skilled manpower. USA imports 104 apparel items. China exports 102 items that is 98 percent of the types of items USA requires, whereas India exports only 66 items that is only 63 percents of the total types of items required.

Recession resulted in loss of employment opportunities particularly in export-based units. The slowdown of the World economy did not affect the domestic players to any great extent. Study reveals that there is a high scope and potential for growth of domestic market. Growing young population, rising level of household's disposable income and growth of organised retail area are some of the favoured situations which can make the sector to grow at a healthy level. To achieve the desired levels of growth and restore its original state, appropriate policy measures and infrastructural provisions (adequate power supply, for instance) must be provided.

Chapter I

Study Design

Genesis

In the era of globalised and rapidly changing economic structure, increased contribution of technology in production process and distribution channels, each and every sector in the economy is undergoing drastic changes in its features. Demographic dividend is also posing challenge for the Government to create job opportunities for those who will be joining the productive labour. These two situations require that the policy makers and planners give equal importance in planning, to both, industry and the young population. The present study aims to analyse these two situations by looking at the impact of present economic conditions on employment opportunities in various sectors of the economy; and the policy implications which help the industry as well as the young population.

The National Sample Survey Organizations' (NSSO) data for 1999-2000, 2004-05 and 2009-10 on employment and unemployment is the base for this study. The data shows that, although some sectors have reported growth in employment opportunities others have recorded jobless growth and decline in employment. In view of these findings an attempt was made to understand the possible reasons for the same by analysing each sector identified from manufacturing and services category. This report is based on the experience of the wearing apparel sector from manufacturing category. Wearing apparels is the one which uses more labour than capital and provides more employment opportunities especially to women, semi-skilled and even unskilled labourers. Because of the present global economic scenario the wearing apparel sector in the country is under immense pressure to change its nature in order to survive and compete in the world market.

Objectives

The present study is an initiative to explore reasons that might be responsible for slowdown or jobless growth or even negative growth in employment in wearing apparel sector. The study also aims to critically review the existing policies in the apparel sector which also impact the employment scenario. These objectives were addressed through the following research questions:

i) What are the factors which cause decline in employment in the sector;

ii) What are the policies responsible for slowdown in employment in the sector;

iii) Which policy of the government is restricting the expansion of the industries in terms of employment and output?

Hypothesis

The study on employment intensity of output is framed with the following hypothesis.

1) Whether increase in investment, increased Foreign Direct Investment (FDI) and government initiatives (resulting in increased scale of operation) resulted in increase in employment in certain sectors?
2) Whether change in production techniques/processes (be imported or indigenous – due to change in relative prices) in favour of capital intensive technology replaces labour? This may partly be induced by rise in wages, replacement of technology due to sustainability and competitiveness, response to business cycle.
3) Whether outsourcing and sub-contracting of certain operations results in employment decline? - This may be because of rise in wages; restrictive labour regulations and desire to keep costs down; employers are increasingly relying on outsourcing major operations.

Methodology

In order to analyse the reasons for the decline in employment in apparel sector and to address the research questions, Cluster approach was followed to collect the information from various stakeholders and all other sources.

All the major industry associations/federations, government organisations/departments and individual enterprises were approached for gathering the required information. Both the organized and unorganized segment of the sector was also contacted in order to gather the overall views and perceptions. Ministry officials, government departments which directly deal with the sector like, textile commissionerate, textile committee, and organizations like, apparel export promotion councils (AEPC) were approached to find out the reasons for decline in employment and to know the sectors overall growth. All the big industry associations/federations like; Federation of Indian Chamber of Commerce and Industry, Confederation of Indian

Industries, Confederation of Indian Textile Industries , regional and cluster based associations like, Apparel Export & Manufacturers Association in Delhi, Tirupur Exporters Association, Gujarat Garment Manufacturers Association, Bengal Hosiery Manufacturers Association, Ludhiana Apparel and Knitwear Manufacturers Association etc. were covered in identified clusters (list in Annexure -1).

Sampling framework

There are around 60 textile clusters and specialized textile parks in the country out of these in about 20 clusters apparel segment is dominant. Among these 20, twelve clusters are major clusters in terms of number of units, turn over and employment. Remaining clusters are small which are also emerging as an apparel regiment. Based upon the literature on these clusters, ten clusters were selected for the present study. The number of units, total employment, and the product specification of these clusters were considered as criterion for the selection of clusters. Among the selected clusters, the study aimed to focus on the organized segment by covering industrial associations and other major players in each of these clusters.

Study aims to draw all stakeholders to give their viewsperception for slowdown in employment in the sector. The hypotheses were framed to justify the reasons for slowdown in employment. as realized by the stakeholders, and to find other reasons causing the reduction in employment; was the main intention of the study. Structured questionnaire was designed separately for associations and enterprises. Clusters were selected from all over the country as the study aims to present the views and perceptions at national level. The study specifically analysed the reasons at the national level, state specific policies and issues, clusters specific issues and constraints causing the decline in employment.

Chapter Scheme

The present paper has four chapters. Chapter one presents the genesis and methodology about the study. Second chapter deals with the profile of the sector, covering aspects such as composition/segment and constraints of the sector. Third chapter gives the analytical views and perceptions of the stakeholders on the hypothesis of the study. The fourth chapter presents suggestion and policy interventions.

Chapter II

Sector Profile

Structure of the sector

Garment is one of the many labour-intensive sectors that provide a gateway for developing countries in entering into the global market. It offers important opportunities to countries to start industrializing their economies and in course of time diversify from commodity dependence. Forty years ago, the industrialized countries dominated global exports in this area where as now the developing countries are responsible for half of the world's apparel exports. Moreover, the economic performance of the apparel industry in developing countries has large impact on employment opportunities especially for women, the development of small- and medium-sized enterprises and spillovers into the informal sector in nature. Just like textile production is more capital intensive, apparel production is labour intensive and hence developing countries although account for a smaller share in textile output but account for a larger share in the labour-intensive production. (Satyaki Roy, 2009)

The clothing industry offers entry-level jobs for unskilled labourers. Job creation in the sector has been particularly encouraging for women in poor countries who previously had no income opportunities other than the household or the informal sector (H K. Nordas, 2004). Moreover, it is a sector where relatively modern technology can be adopted even in poor countries at relatively low investment costs. These technological features of the industry have made it suitable as the first rung on the industrialization ladder in poor countries, some of which have experienced a very high output growth rate in the sector. The apparel industry which is predominantly in the Small Scale Industrial Sector in the country is fragmented by its various stages like dyeing; printing; cutting and stitching. The industry operates through a cluster centre approach which has a clear cut advantage in terms of new raw materials, services and customers. Though fragmented in nature, each cluster is quite diversified and unique. The industry is primarily concentrated around 20 clusters in the country. Among these 20 clusters, major clusters in terms of number of units and employment are; Bangalore, Delhi, Gurgaon, Indore, Jaipur, Kolkata, Ludhiana, Mumbai, Noida and Tirupur. Kolkata, Ludhiana and Tirupur are major clusters for knitted garments while Bangalore, Delhi, Gurgaon, Indore, Jaipur, Mumbai and Noida are the concentrated clusters for the woven garments (AEPC, 2012).

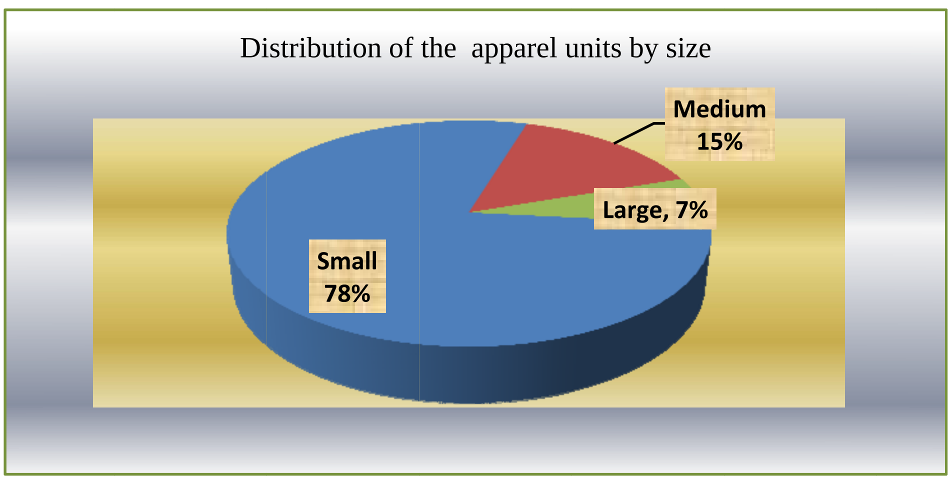
Table 1: Distribution of Apparel Units by Size

Clusters	Small	Medium	Large	Total
Major Clusters	23962	4608	2150	30721
Small Clusters	2067	398	186	2650
Total	**26029**	**5006**	**2336**	**33371**

Source: AEPC, 2010.

Among the total apparel manufacturing units in country, a vast majority of 26,029 (78 percent) units are small scale in nature. 15 percent of the total units are in medium size and the remaining 7 percent units are large in size (Table 1). Size of the units is classified by the number of sewing machines that are used. Small units are coming under the category of less than 40 machines, medium category are those which are using 40 to 100 machines and the large units are those which are using more than 100 machines. A very small enterprise (use of less than 10 machines) is not considered (AEPC, 2010) as units. A few units are operating in every cluster as household enterprises with less than 10 machines, and operated by the household's members only. Kolkata, Mumbai and Ahmadabad clusters are having these kinds of small units in large numbers.

Chart 1 Apparel Units by Size



Source: APEC, 2010.

National Sample Survey organisations' data on employment for 2009-10 on apparel sector up to 5 digit levels was examined to understand the exact share of different sub-sectors in the employment and it was found that at National Industrial Classification (NIC) 5 digit levels there are ten sub sectors in the wearing apparel sector. Among these 10 sub- sectors, 'custom tailoring' contributes more than three-fourth (76 percent) of the total employment of the sector. Manufacturing of all kinds of textile garments and clothing accessories contributes 21 percent of the employment in the year 2009-10. Remaining sub-sectors have limited proportion of employment as their share in the sector (Table 2).

Table 2: NIC 5 digit sub sectors employment in the year 2009-10 for apparel sector

	Description	**Principal Status**	**Subsidiary Status**	**Total**	**% share**
18101	Mfg. of all types of textile garments and Clothing accessories	1372698	101216	1473914	20.9
18102	Mfg. of rain coats of water proof textile fabrics or plastic sheeting	22505	0	22505	0.3
18103	Mfg. of hats and caps from waterproof	15130	4848	19978	0.3
18104	Mfg. of wearing apparel of leather and substitute of leather	13572	0	13572	0.2
18105	Custom tailoring	4577153	798345	5375498	75.7
18109	Mfg. of wearing apparel n.e.c.	117396	6834	124230	1.9
18201	Scraping, currying, tanning, bleaching and dyeing of fur and other pelts for the trade	7181	0	7181	0.2
18202	Mfg. of wearing apparel of fur and pelts	221	0	221	0.0
18204	Embroidering and embossing of leather articles	5187	9659	14846	0.2
18209	Mfg. of other leather and fur products n.e.c.	20691	0	20691	0.3
Total		6151735	920938	7323073	100

Source: NSSO data for 2009-10

Performance of the Sector

a) Growth of the sector: In 2007 the world apparel market was worth 345 billion USD and during the last decade the market grew at an average of 8 per cent per annum. Moreover according to NSS Report on Household Consumption of Various Goods and Services in India, according to NSS Report on Household Consumption of Various Goods and Services in India, 2007, between 1993-94 and 2004-05, the proportion of households purchasing readymade garments has increased in both rural and urban areas by about 75 per cent, while the proportion purchasing hosiery articles shows a three-fold increase. Apparel Export Promotion Council estimated that in value terms, the size of the apparel market (including textile items) was Rs. 1692952 million in 2007 recording a growth of 8.81 per cent.

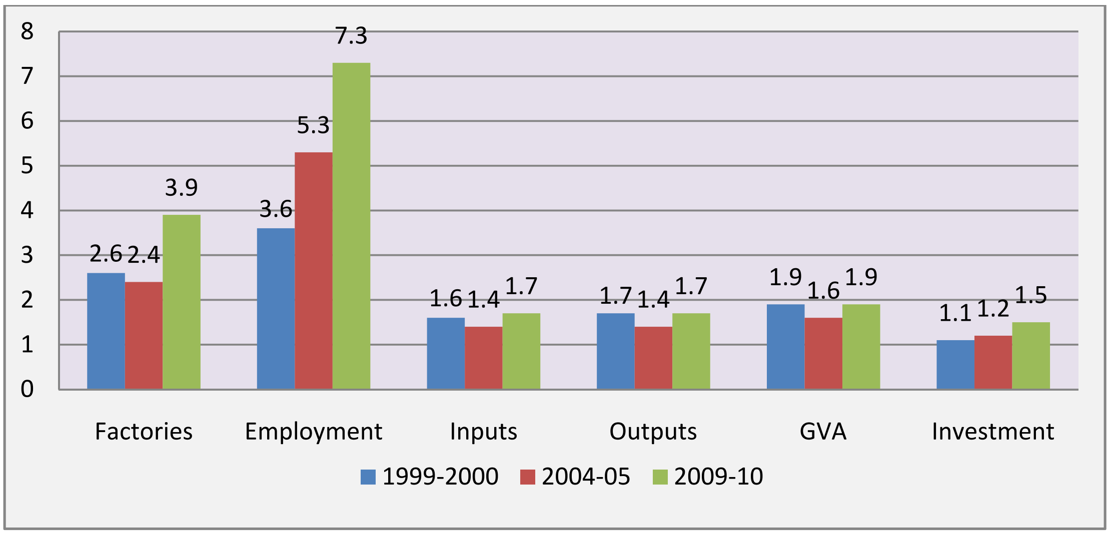
The share of Gross Value Addition (GVA) of the apparel sector with the manufacturing sector showed a decline from 1999-2000 in 2009-10. The share of GVA of the apparel sector for 1999-2000 was 6.86 percent in the overall manufacturing, which has decreased to 5.34 percent in the year 2009-10. Similarly the GVA share in non-manufacturing for the apparel sector has also shown a decline in 2009-10. In 1999-2000 the GVA share of the apparel sector was 5.23 percent in non-manufacturing sector, which has declined to 4.56 in 2009-10.

Table 3: GVA share of the apparel sector

Year	% share of apparel sector	
	In overall manufacturing	In overall non- manufacturing
1999-2000	6.86	5.23
2009-10	5.34	4.56

Source: Computed NSSO data for 1999-2000, 2004-05 and 2009-10

Figure 2: Share of apparel sector in overall manufacturing (ASI data)



Source:Computed from ASI Data for 1999-2000, 2004-05 and 2009-10

Annual Survey of Industries (ASI) data on the growth of the sector

ASI data on the growth of the sector shows the trend of the factories, fixed capital, GVA and employment for the periods from 1999-2000 to 2009-10. The share of the factories in operation to the total manufacturing factories shows fluctuating trend. It has decreased to 2.52 for the year 2004-05 from 2.61 for 1999-2000. All other variables like; fixed capital, GVA and employment shows an increasing trend. Due to increase in investment the employment and productivity shows an upward trend.

However, between 2004-05 and 2009-10, except the employment all other indicators indicate an upward movement. Share of apparel factories in total factories increased to 3.9 percent for 2009-10 from 2.6 percent in 2004-05. Similarly, percent of investment in total manufacturing investment also increased to 1.5 for 2009-10 percent from 1.2 percent for 2004-05. It is observed that there is little improvement for GVA and the growth in employment has also shown an improvement from 5.31 percent in 2004-05 to 7.3 percent for 2009-10 (Table 4).

Table 4: Share of apparel sector in manufacturing

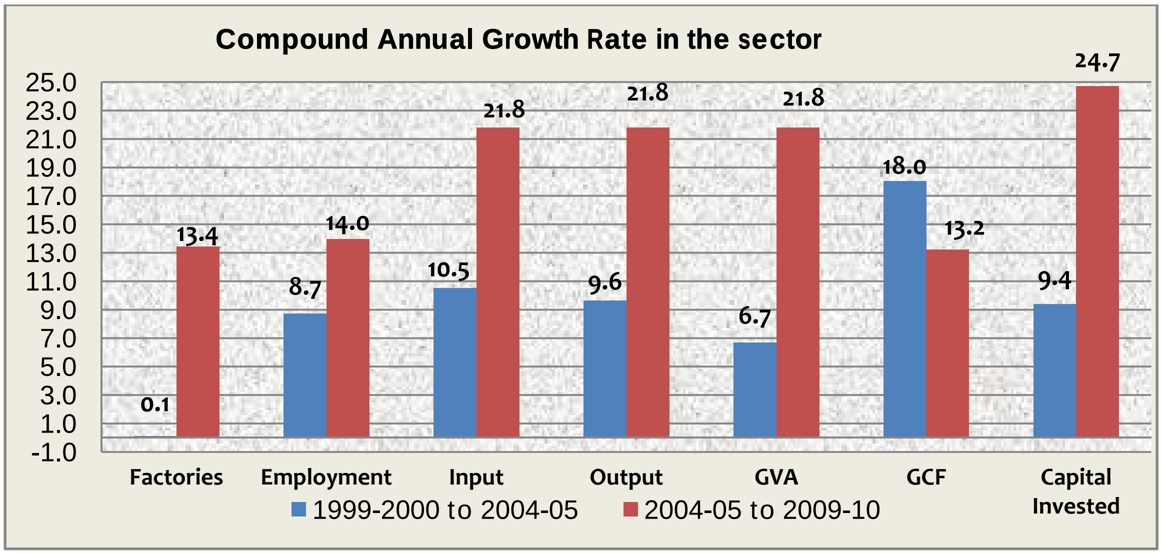
1999-2000			
Indicators	Overall Mfg.	Apparel Sector	% share
Factories	124422	3253	2.6
Investment	56663430	597433	1.1
Gross Value Added	18857371	363822	1.9
Employment	8172836	296456	3.6
Inputs	70936465	1135497	1.6
Outputs	89793835	1499329	1.7
2004-05			
Indicators	Overall Mfg.	Apparel Sector	% share
Factories	129919	3271	2.4
Investment	75941770	937443	1.2
Gross Value Added	30962009	502851	1.6
Employment	6161493	450175	5.3
Inputs	136294133	1871938	1.4
Outputs	167256142	2374789	1.4
2009-10			
Indicators	Overall Mfg.	Apparel Sector	% share
Factories	158877	6143	3.9
Investment	193305395	2821524	1.5
Gross Value Added	69718259	1348459	1.9
Employment	117922055	865062	7.3
Inputs	303585334	5022236	1.7
Outputs	373303593	6370695	1.7

Source: ASI data for different periods

Growth rates

The following graph shows the growth rate (annual compound growth rate) of the sector for the periods from 1999-2000 to 2004-05 and 2004-05 to 2009-10. There is a positive growth in the organised portion of the apparel sector during the reference period. Except the gross capital formation all the indicators shows high growth during second half the decade. Capital invested has shown a remarkable growth of 24.7 percent during 2004-05 to 200910. Factories and employment has grown around 14 percent during the period 2004-05 to 2009-10. Input and output have registered almost double in growth during second half.

Chart 3: Growth rate of organised segment in the apparel sector



Source: ASI data for different periods

Performance of the sector during eleventh plan

During the first four years of the 11th Five year plan period, the apparel market grew from 1,01,300 Crores to 1,50,000 Crores registering with remarkable growth rate of 14 percent at annual compound rate. The growth was faster in organized sector of the industry which has shown a growth rate of more than 20 percent and contributes nearly one fourth of the total apparel market. During this period the demand for made-ups has increased from Rs. 8,450 Crores to Rs. 10,000 Crores registering compound annual growth rate of 6 percent. Similarly during the period (2007-08 to 2011-12) the export of apparels increased from US $ 8.89 billion to US $ 13.7 billion (AEPC, 2012).

Employment

Industry employed 3.66 million persons in 1999-2000 and which had increased to 8.92 million during 2004-05. However, there was sharp decline of 1.6 million opportunities in the sector from 2004-05 to 2009-10 and the apparel sector employed 7.32 million people during 2009-10.

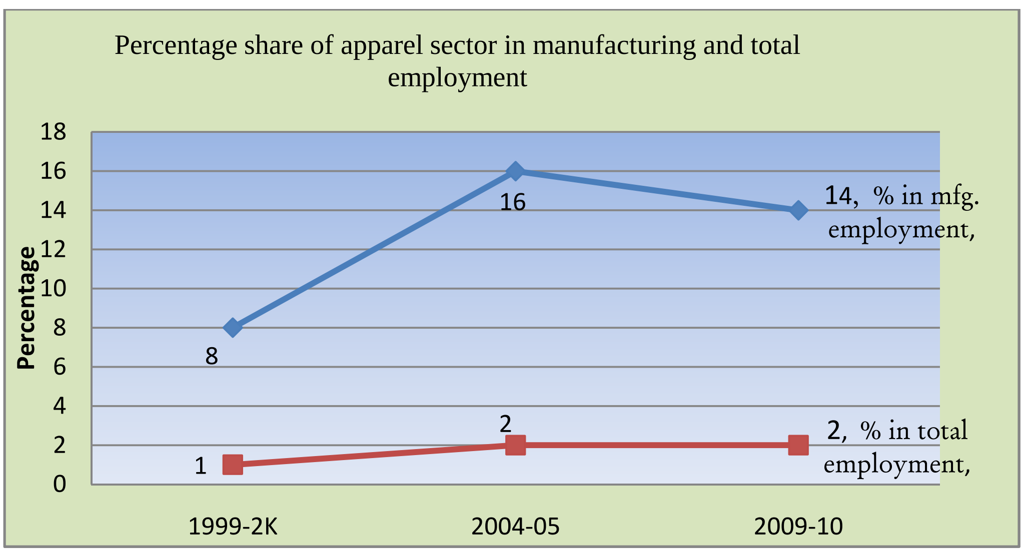
During 2004-05 to 2009-010 the share of apparel sector employment in the overall manufacturing employment has come down from 16 to 14 percent (refer Chart 2). The clothing sector is the final stage of the textiles value chain, with maximum value addition at this level. It is a low investment and high labour-intensive industry; an investment of Rs 0.1 million creates 6 to 8 jobs (AEPC, 2010). The industry employed around 7.32 million workers in 2009-10, of which, around 3.5 million were in the export sector.

Table 5: Employment trend in the sector

Employment Segment in	Year		
	1999-2000	2004-05	2009-10
Apparel Sector	3.66	8.92	7.32
Textile Sector	7.85	10.10	8.43
Overall Manufacturing	44.05	55.77	50.74
Total Employment	396.76	457.46	460.22

Source: NSSO data for 1999-2000, 2004-05, and 2009-10

Chart 4: Employment share of the sector



Source: Computed from NSSO data for various years

The share of apparel sector employment in total employment in the country has doubled from one percent in 1999-2000 to two percent during 2004-05. However, during 2004-05 to 2009-10 the share of the apparel sector's contribution to total employment does not show any significant improvement. As far as the share of the apparel sector employment in overall manufacturing is concerned, it has doubled to 16 percent for the year 2004-05 from 8 percent in 1999-2000. A decrease of two percent has been observed from 2004-05 to 2009-10 (Table 6).

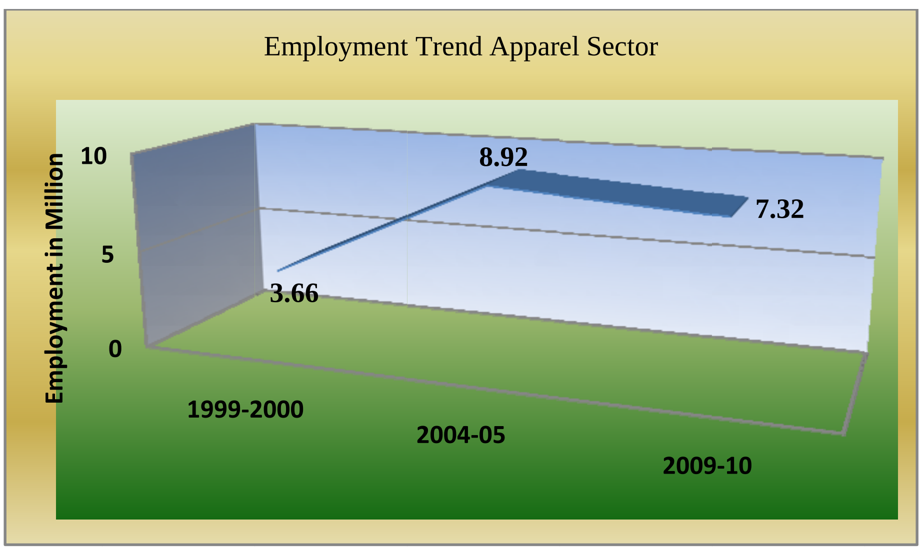
Table 6: Share of the apparel sector in Employment

Year	Apparel sector employment (million)	% share of employment in manufacturing	% share in total employment
1999-2000	3.66	8	1
2004-05	8.92	16	2
2009-10	7.32	14	2

Source: Computed NSSO data for 1999-2000, 2004-05 and 2009-10.

The given chart shows the employment trends of the apparel sector. At the end of the previous decade, that is 1999-2000, the apparel sector employment was 3.66 million. It increased to 8.92 million from 1999-2000 to 2004-05 with the compound annual growth rate of 19.5 percent. However, the employment decreased to 7.32 million for the year 2009-10 with the negative growth rate of -3.87 percent.

Chart 5: Employment in the apparel sector



Source: NSSO data for 1999-2000, 2004-05 and 2009-10

The following table shows the nature of employment in the sector. Out of the total employment of 3.66 million for 1999-2000 (36,61,431 actual works) just above one-fifth (22.1 percent) that is 0.81 million are from the category of organized workers in the sector and the remaining 78 percent workers are from unorganized category. The organised segment employment in the apparel sector further went down to 20.18 per cent in 2004-05 and has further comedown to 11.89 percent in 2009-10.

Table 7: Oranised and Unorganised portion of employment

Sectors	**Organized**			**Un organized**			**Total**		
	1999-2000	2004-05	2009-10	1999-2000	2004-05	2009-10	1999-2000	2004-05	2009-10
Apparel	0.81	1.80	0.87	2.86	7.12	6.45	3.66	8.92	7.32
Textile	2.17	2.64	2.81	5.69	7.46	5.62	7.85	10.10	8.43
All mfg.	13.13	16.06	16.04	30.92	39.71	34.70	44.05	55.77	50.74
Total	54.12	62.57	72.87	342.64	394.90	387.34	396.76	457.46	460.22

Source: NSSO data for 1999-2000, 2004-05, 2008-09 and 2009-10

However, organised segment of the apparel sector is showing a positive signal of growth. Table 7 presents some of the variables of the organised position of the sector. Variables like, employment, number of factories, fixed capital, and gross value addition were taken into consideration to determine the status of the sector. Three points of data, 1999-2000, 2004-05 and 2008-09 from Annual Survey of Industries has been referred to for the analysis. The state wise share of employment in apparel sector is presented in following table. Out of the total employment of 8.92 millions in 2004-05, six states (Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Karnataka, and Andhra Pradesh) are contributing more than 50 percent of the employment. The state wise analysis indicates that the states like Andhra Pradesh, Gujarat, Uttar Pradesh have shown an increase in employment in 2009-10. Among the big states Maharashtra's share in total employment in the sector has shown a decline in employment in 2009-10.

Table 8: State wise employment in Apparel Sector

Sl. No.	States	2004-05	% share	2009-10	% share
1	Andhra Pradesh	540392	6.1	701685	9.6
2	Bihar	275497	3.1	315800	4.3
3	Chhattisgarh	54469	0.6	84597	1.2
4	Delhi	377264	4.2	372157	5.1
5	Gujarat	416188	4.7	450821	6.2
6	Haryana	171741	1.9	229596	3.1
7	Himachal Pradesh	24303	0.3	36967	0.5
8	Jharkhand	43799	0.5	41289	0.6
9	Jammu & Kashmir	41118	0.5	66604	0.9
10	Karnataka	598425	6.7	524555	7.2
11	Kerala	328928	3.7	298796	4.1
12	Maharashtra	1008748	11.3	761300	10.4
13	Madhya Pradesh	293301	3.3	210579	2.9
14	Orissa	83938	0.9	113368	1.5
15	Punjab	196999	2.2	253775	3.5
16	Rajasthan	294834	3.3	268326	3.7
17	Tamil Nadu	666392	7.5	636474	8.7
18	Uttar Pradesh	1092975	12.3	1092269	14.9
19	West Bengal	660265	7.4	775245	10.6
20	Other States/UTs*	1750530	19.6	88871	1.2
Total		8920105	100.0	7323073	100.0

Source: NSSO data for 2004-05 and 2009-10

* Other states/UTs include Goa, Uttarakhand, Daman Diu, Dadra Nagar Haveli, Puducherry etc.

Market Potential of the sector

The market value of the total apparel sector has been estimated at Rs. 1,01, 425 crores during 2005 which increased to 1,54,000 crores for the year, 2009. The market value for the 2010 of the sector was fixed at Rs. 1,70, 900 crores. Based on the expected compound annual growth (12 percent), the sector market value has been fixed at Rs. 2,88,880 for the year 2015 and Rs. 4,70,000 for 2020 (Technopak, 2010).

Exports: Among the textile exports, readymade garment (RMG) exports play an important role in overall exports. India’s share in the world clothing market, although small, is rising steadily over the years and the Country’s share in the global apparel markets is 2.8 percent. The export basket of the Indian textiles industry consists of a wide range of items like readymade garments, cotton textiles, handloom textiles, man-made fiber textiles, wool and woolen goods, silk, jute and handicrafts, including carpets. Among all these items RMG alone dominates; with more than 50 percent of the total export of textile items.

Domestic market

The size of India's domestic apparel industry was around US $ 36 in the year 2010. The men's wear segment comprised of US $ 15 billion and women's wear at US $ 14 billion. While kid's wear's market share stood at US $ 7 billion. The wearing apparel sector has the potential to grow at a CAGR of 11 percent to US $ 100 billion by 2020 (Amit Gugnani, 2012).

Vision for future - plans and policies envisage

Going forward, the domestic readymade garments industry is expected to be driven by a buoyant economy, increasing purchasing power and increase in retail activity. The Indian textiles and clothing industry is of significant importance to domestic economic growth. The vision statement for the textiles industry for the Eleventh Five Year Plan (2007-12), envisages India securing 7 percent share in global textiles trade by 2012. The growth rate was forecasted according to the present volume of business and growing market demands and expansion activities.

In the last two years, the fortunes of textile companies have changed dramatically. Gone are the days when the companies had to take into account immense possibilities before embarking on expansion plans. A mere look at the third quarter performance of textile companies in this fiscal, shows that, many textile companies are reaping the fruits of their timely expansion plans. Besides, the lessening of the impact of the economic slowdown and the abolishment of the quota system has boosted the spirits of textile companies and investors alike. For years the quota system did not present opportunities to deal with multiple suppliers and clients from across the globe. Now, with the abolishment of the quota system, a domestic textile player can deal or supply products to any client, in any country of the world. This has brought about optimism among players and investors alike. This time, we explore the various factors that would continue to foster the growth of the textile industry. The abolishment of the quota system and permission to let 100 percent foreign direct investment in the sector would boost the growth of the sector in the coming years.

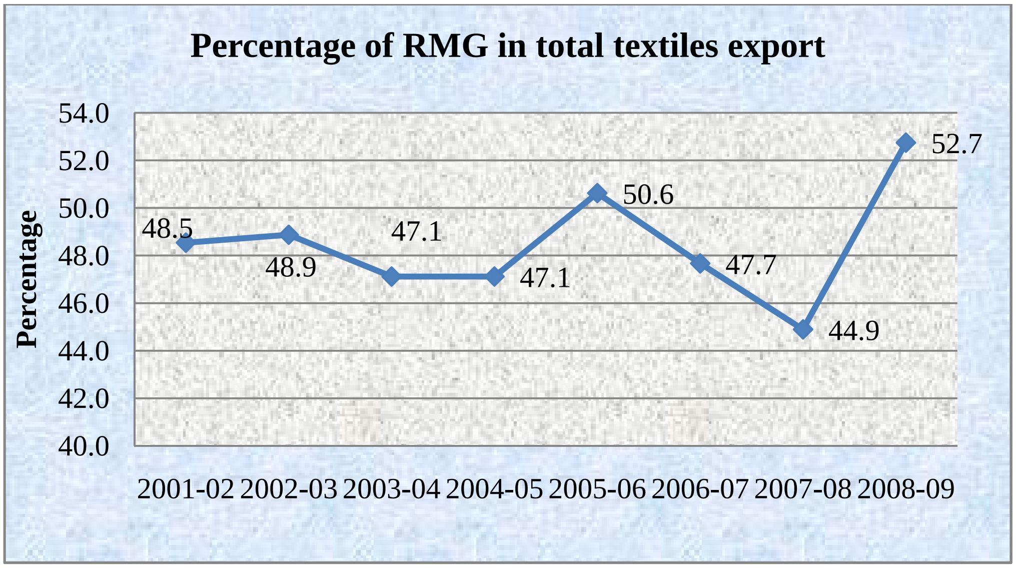
Approach to twelfth five year plan

The Eleventh Plan had targeted growth in manufacturing at 10.0 to 11.0 per cent but actual performance was only about 7.7 per cent. As a result, the share of the manufacturing sector in Gross Domestic Product (GDP) is only 15.0 per cent. The slow pace of growth in the manufacturing sector at this stage of India's development is not an acceptable outcome. Manufacturing sector must provide a large portion of the additional employment opportunities as opposed to agriculture for India's increasing number of youth. The growth in export is being seen to be providing an impetus to the manufacturing sector. Clothing sector is one such sector which is identified as a major source of employment generation during the 12th plan period. Approach paper for the 12th five year plan is projecting 27.7 percent CAGR in exports in apparel sector. Domestic consumption is targeted to increase from US $ 46 billion to US $ 89 billion during the twelfth plan period. The working group recommends to put in place a policy framework to facilitate garment industry to attain and sustain their pre-eminent global standing in the manufacture and exports industry (Planning Commission, 2012)

Over the years, apparel industry's profile has undergone significant changes. Technology has been gradually upgraded and there is qualitative and quantitative improvement in apparel industry in India. Now, India is well known for its fine textile products and has emerged as strong destination of all types of high end textile products. India's garments are exported to almost all parts of developed world. Most of the leading fashion brands are sourcing substantial quantities from India now. With its consistent growth performance and abundant cheap skilled manpower, there are enormous opportunities both for domestic and foreign investors to make investments in textile sector in India.

India's exports of readymade garments (RMG) accounted for US$7853.85 million for the period January – September 2008 with an increase of 10.72 per cent compared to the same period in previous year. During the month of September 2008, RMG exports accounted for US$706.54 million with a slight increase of 0.82 per cent for the same month in the previous year. Figure 6 shows that exports of RMG increased continuously over the years. However, if we consider growth of garments exports, it is found that there had been considerable fluctuations both in rupee and dollar terms and growth shows opposite trends in years such as 1991/92 and 2007/08 because of exchange rate fluctuations.

Chart 6: Share of RMG in textile exports



Source: Foreign Trade Statistics of India (Principal Commodities & Countries), DGCI&S

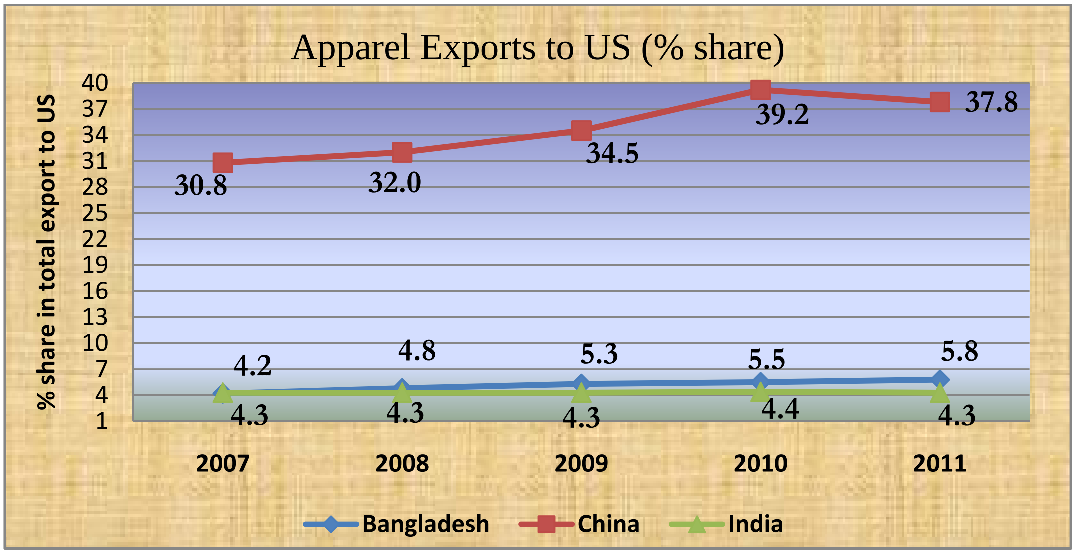
Table 9. Export of Readymade Garments and other textiles (Rs.Crores)

Year	RMG Exports	Total Export of Textiles	% RMG in total textiles	Other textiles
2001-02	22027.52	45379.38	48.5	51.5
2002-03	23003.10	47068.00	48.9	51.1
2003-04	22772.80	48332.70	47.1	52.9
2004-05	22772.80	48332.70	47.1	52.9
2005-06	35358.49	69845.55	50.6	49.4
2006-07	37506.17	78683.01	47.7	52.3
2007-08	36497.79	81298.67	44.9	55.1
2008-09	47110.00	89312.06	52.7	47.3

Source: Foreign Trade Statistics of India (Principal Commodities & Countries), DGCI&S

It is true, that globalised economy has brought heavy competition among the nations. China is at the top among nations, which are exporting commodities. China's share in apparel export to United States shows an increasing trend. In 2007 the share of China's apparel export to US was around 31 percent it has been increased to 39 percent during 2010. Similarly the share of Bangladesh is also on higher side as compared with India's contribution. From 2007 to 2011 the share of US's import from India, had not shown any significant growth.

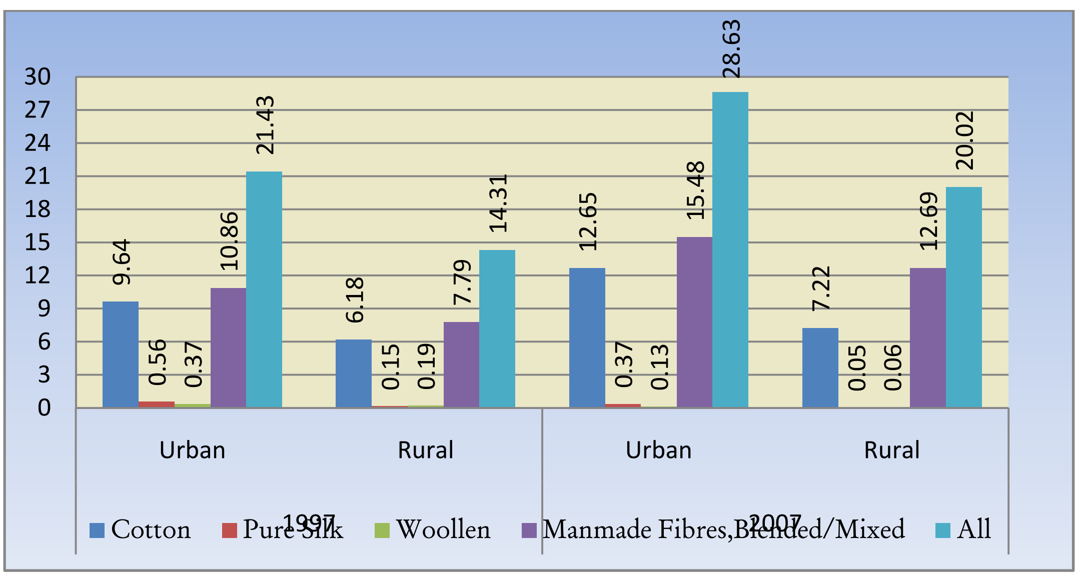
Chart 7: USs' Import of Apparel: Comparative Scenario



Source: US Department of Commerce (http:trade.gov)

According to survey by the Technopark Consultancy, the domestic market is growing at the rate 40 percent. The data in graph (chart-9) shows the trend of the per capita consumption over the years. Further, it is also observed that both in rural and urban areas, there is a growth in the consumption pattern.

Chart 8: Per capita consumption of textiles (mtrs)



Source: National Household Survey, Results 2010, Textile Committee, Ministry of Textiles

India ranks among the top target countries for any company sourcing textiles and apparel. Indeed, apart from China, no other country can match the size, spread, depth, and competitiveness of the Indian textile and apparel industry. Moreover, the global elimination of quotas at the end of 2004 has greatly enhanced the opportunities for sourcing from India.

Table 10: Export trend of the sector (in US $ Million)

Year	Apparel	% to total exports	Textile	% to total exports	Manufacturing	% to total exports	Total Exports
1955-96	3675.6	11.6	8031.6	25.3	23747	74.7	31794.9
1999-2K	4765.1	12.9	9822.1	26.7	29714.4	80.7	36822.4
2004-05	6561.4	7.9	13555.3	16.2	60730.7	72.7	83535.9
2005-06	8617.7	8.4	16402.1	15.9	72562.8	70.4	103090.5
2006-07	8892.3	7.0	17373.2	13.7	84920.4	67.2	126414.1
2007-08	9687.1	5.9	19425.7	11.9	102978.8	63.2	162904.3
2008-09	10935	6.0	20016.4	10.9	123148.9	67.4	182799.5
2009-10	10705.6	6.0	19853	11.1	115180.7	64.4	178751.4
2010-11	11203.7	4.4	23312.2	9.2	168098.1	66.1	254402.1

Source: Directorate General of Commercial Intelligence and Statistics

Textile and apparel industry exports US $ 22.05555 billion (INR 1,058.64 billion), contributed about 12.5 percent to the country's total exports in 2009-10. Among the items exported on textile category the following table gives the product specific export for the year 2009-10.

Table 11: Product specification wise export for the year 2009-10

Export item	Export Value US $ (INR billion)	Share in total exports (in percent)
Cotton textiles	5.62 (269.87)	25.49
Manmade textiles	3.91 (187.55)	17.72
Silk textiles	0.59 (28.32)	2.68
Wool and woolen textiles	0.47 (22.63)	2.14
RMG	9.90 (475.25)	44.89
Handicrafts (including carpets)	0.93 (44.71)	4.22
Jute	0.22 (10.43)	0.98
Coir and coir products	0.16 (7.59)	0.72
Handloom products	0.26 (12.29)	1.16

Source: Ministry of Textiles 2012

From the following chart on apparel sector's share in manufacturing and total exports, it can be observed that there is a steady slowdown in the share of the sector over the years. In 1999-2000 wearing apparel sector's share in manufacturing exports was 16 percent it has gradually decreased to 7 percent by 2010-11. Similarly, a declining trend in the overall exports, over the years, can also be observed from the chart.

Chart 9: Export share of the sector

Source: DGCI & S reports for different periods

Constraints

In an increasingly globalised economic milieu, external developments have major impact on world economy, including the emerging market economies and developing countries through both direct and indirect economic linkages. The global slowdown has its implications on the domestic economy. During the last three years, Indian economy grew at an average annual rate of 8.6 per cent. In manufacturing sector, the growth has come down to 4.0 per cent in 2008 as compared to 9.8 percent in the corresponding period of last year. The global economic slowdown has affected all the use-based categories, especially apparel and related categories which directly hit export-dependent emerging economies. Although, the exports are not the mainstay of GDP growth of the Indian economy, yet, the exports for October, 2008 registered its first negative growth in seven years. About half a million workers lost their jobs during October –December,

2008. In textile, including garment sector 0.91 percent of the workers have lost their jobs. The major impact of economic slowdown was felt in the export oriented units.

The economic and financial crisis of 2008 created uncertainty across the world. The maximum impact of the crisis was felt in the western countries; however, its trickledown effect was seen by even emerging market economies like India which has seen a few percentage points being shaved off their growth in the ensuing period. Nations which were exporting to the European countries have felt some or other impacts in their business due to this economic crisis. Indian operations were affected due to the slowdown seen in growth rate in 2009. The responses received indicates that slowdown of the Indian economy in 2009, had an adverse affect on Indian operations of about 60 percent of the surveyed firms (FICCI, 2010).

Employment in textiles units, including the apparel sector, has declined by 1.21 lakh as on March 2011 as compared to December 2010 (The Labour Bureau 2011)

In most of the South Asian countries the cost imposed on firms by the electricity constraints is among the highest in the world; in Afghanistan, Bangladesh, and Nepal it is higher than in other countries at similar levels of GDP per capita. Moreover, the severity of the constraints has increased over time in India (World Bank, 2011). It is true in clusters also – Tirupur, one of the cluster earning almost 13,000 crores per annum of exports is facing acute shortage of 8 hours power cuts and one day weekly power holiday.

Highlighted issues of the apparel clusters:

- Power supply (shortage, frequent cut and high rate)
- Sharp rise in interest rate – stops additional flow of capital
- The rising value of the Indian rupee against dollar
- Increasing cost of inputs , cotton, yarn and labour
- Increasing the cost of shipment/transportation –fuel charges
- Environmental issues – closure of 750 Dyeing units in Tirupur
- Heavy competition from the rest of the world
- Government support/incentives is very less in proportion
- State’s government popular announcements – minimum wage rate, freebies
- Rising outsourcing budgets of retail giants
- Indian companies evolving from mere converters to vendor partners of global buyers

- Large outsourcing orders helping Indian companies build capacities, lower their per unit cost and become more competitive
- Imposition of caps on certain import segments from China by EU and US given the surge in Chinese exports has opened up opportunities for India

Multi stage Taxation

Taxes in India are one amongst the highest in the world. Inter-state tax regime has to be simplified for textile goods movement as truck's waiting time at each barrier is too long due to entry tax etc, increasing transit time which ultimately results in avoidable additional costs and burden to the buyer/ consumer. Uniform taxation structure needs to be implemented throughout the country. Most of the manufacturing units taken up for NPC Field study complain of too much paper work on Sales Tax & Excise Duties. There is an immediate need to introduce uniform tax rates in all states avoiding multiplicity of taxes at different stages. Systems and procedures needs to be simplified. The need for documentation/paperwork at multiple check posts and in different states, customs formalities, needs to be reduced as far as possible. From the field survey, it was found that export taxes are hindering the export of textile products. There is need for improving the export tax structure for making the sector more competitive. Ministry of Commerce & Industry , Ministry of MSME, Ministry of Finance along with State Governments can evolve strategies to streamline and rationalize the taxation structure at both Central and State levels.

Taxation structure

- Central Sales Tax -1 %
- Central Excise - 12 %
- VAT at - 5%
- Branded item tax - 2%
- Customs duty on import Polyester Fiber - 5 % + 4 Special Additional Duty
- Form 'C' every 3 months
- The other most important raw material, Polyester fiber also attracts a five percent customs duty in addition to four percent special additional duty (SAD).

Skilled Workers

Since the future of the textile and garments sector is based on the production and export of Apparels items, there is a need to focus on the development and growth of this segment of the sector in order to make available the skilled work force.

Deficiency in availability of skilled workers is a major problem particularly in the garment industry. Traditional manually operating skills are ineffective in modern garment industry. Shortage of these skills is affecting production and productivity of garment industry in particular. The strong presence of various associations is helpful in this regard and the units do not face any hurdle in getting finances from banks. However, the major problem that is faced by the units is that of frequent increase in interest rates. The main complaint of SMEs units is that they are discriminated by the banks and are charged much higher interest rates compared to larger units.

*SAFTA Agreement with Bangladesh***:** South Asian Free Trade Agreement (SAFTA) with Bangladesh in October, 2010 has made two impacts on the Indian domestic apparel market. First, the Indian retailers got one more alternative sourcing for low cost garments for the domestic market. Second it made big and negative impact on the Indian manufacturers for the domestic market. The agreement allows free access of 61 items of which 48 items from apparel. The manufacturers of these 48 items in the country are facing woes because of cost of production. The price of the imported (from Bangladesh) items is cheaper than the Indian items' price due to their less production cost. Apart from that, China is simply putting label of Bangladesh in their products which is coming to Indian market freely with the help of this agreement.

Policy Issues

India is well known for its protection of small-scale enterprises by prohibiting entry of large scale firms into many product lines. However, after the announcement of new National Textile Policy in November 2000, Government of India has de-listed garment sector from its Small-scale Industry (SSI) reservation list.. The knitted segment was reserved only in the year 2004. This belated liberalisation delayed the entry of large firms into the apparel sector. The entry of new units were permitted if the new units exported 75 percent (reduced to 50 percent later) of their output. FDI into the industry was also correspondingly restricted due to the product reservation policy. That is by implication FDI is not permitted in product lines reserved for SSI. The FDI policy in the nineties also permitted foreign ownership (100 percent) for units that would be set up in the special economic zones.

Policy polarization and governance are the major issues for this slowdown of the output. The national manufacturing policy, 2011 was cleared by cabinet on 25th October, 2011. However, the policy still remained on paper for around six months due to inter ministerial differences (Aradhana Aggarwal, 2012)

The changing trade and business scenario is forcing some of the more organized export based factories to shift to manufacturing for domestic retailers. The smaller manufacturers are now finding it difficult to compete with large players and retain their business.

Chapter III

Analysis of the study: Reason for Change in Employment

There are various factors causing the slowdown of the employment in the apparel sector. Global economic crisis is one of the major causes for the loss in opportunity. Increasing the input price like, cotton and yarn, shut down of processing units (750 Dying units in Tirupur) due to environmental issues, increasing rate of the lending and interests, slow flow in the FDI into the sector, atomization of some units are some other reasons for the loss of the employment in the sector.

Garments industry in India is mostly de-linked from the global value chain although significant share of the production is meant for exports. Firms produce garments which cater to various layers of the global market, but hardly there are any firms involved in jobs linked to a global production process. This fact assumes importance in the context of size distribution of firms because of the following reasons: a) Linking with the global value chain creates possibilities for firms in reaping benefits of scale economies although they might be involved in a simple piece of work; b) Multiple layers of job workers integrated to global value chains largely influence and conditions the nature of sub-contracting as well as the quality of the product.

Cost Comparison: Approximately, 60% of the total garments and made-ups manufactured in India are exported to foreign markets like European Union (EU), United States (US), and Japan. Textile export houses are one of the biggest employers in the country. Economic slowdown in the US and EU has affected the textile business in India, resulting in a drastic decline in the country's garment exports. If we look at the comparative cost structure, the lead time for orders placed by Europe to Indian Exporters would be 5 to 7 weeks as the cargo movement is by sea and it consumes more time, whereas, in case of orders placed on Turkey, they can execute the order in a weeks' time as the transportation is by Road (Mr. Kirit V. Patel www.fibre2fashion.com).

Foreign Direct Investment (FDI)

FDI has made an intensive impact on the growth of the sector especially in the technological and machinery part of the sector. Eleventh five year plan gave top priority to the FDI for the sectors' growth. The cumulative FDI in the sector (between April, 2000 and August, 2010) has been valued at US $ 861.26 million. Tremendous growth was achieved because of this FDI in the sector. The traditional machineries and method of production has been changed in order to survive from the global competition.

Table 12: Financial year wise inflow of FDI in India

Financial Year	In flow of FDI in the country (in US $ billions)		% of FDI in Textiles
	Total for all sector	Textile (including Dyeing and Printing)	
1991-2000	***16.70 (606.05)***	***0.240 ((8.29)***	***0.07***
2000-01	2.91 (126.45)	0.002 (0.09)	0.13
2001-02	4.22 (193.61)	0.005 (0.24)	1.73
2002-03	3.13 (149.32)	0.054 (2.58)	0.35
2003-04	2.63 (121.17)	0.009 (0.43)	1.15
2004-05	3.76 (171.38)	0.040 (1.97)	1.70
2005-06	5.55 (246.13)	0.090 (4.15)	0.80
2006-07	15.73 (706.30)	0.130 (5.61)	0.76
2007-08	24.58 (986.64)	0.190 (7.48)	0.58
2008-09	27.33 (1230.25)	0.160 (7.56)	0.54
2009-10	25.89 (1233.78)	0.140 (6.68)	0.48

Note: Figures in parenthesis are Rs. in billions

Source: Department of Industrial Policy & Promotion, Ministry of Commerce and Industry.

There is no negative impact on the employment due to this FDI in the sector whereas the expansion and modernization has taken place in the sector. Due to this expansion, employment has been increasing and there is no decrease or no retrenchment. Especially in recent times, from 2011 onwards, the sector has been growing in a healthy manner and expected to grow more rapidly with the additional investment of Rs. 80, 000 to 100,000 Crore.

Change in Production Techniques due to Atomization/Modernizations

General perception is that because of this change in production techniques the sector has achieved a significant value. Because of the globalised economy it must adopt the latest technology in order to survive in the market. Therefore, vast majority of the players have accepted these technological changes and automization. According to the opinion of big players like Apparel Exporters and Manufacturers Association (AEMA) for Delhi and National Capital Regions (NCR) and Tirupur Exporters Association (TEA) there is no loss in the employment in the sector. On the other hand, more update and trained manpower is required to fit these modernized methods of production process in the sector.

Textile related departments are imparting training to unemployed graduates and diploma holders and school dropouts to provide the required skilled manpower to the sector. For instance, Textile Committee, Textile Commissionerate, and Apparel Design and Technology Centre, Apparel Export Promotion Councils (AEPCs) etc. are imparting training on skill development. Most of the Pass outs from these skill training centers get placed through campus recruitment itself (AEPC–Tirupur, Textile Committee and Textile Commissionerate – Coimbatore).

Technological Up-gradation Fund Scheme of the Textile Ministry is a bonanza to the sector, which gives enormous support to the sector. Almost, 40 percent of the schemes' allocation has been utilized during the last three – four years. Only very few applications are received from the enterprises to get the assistances under this scheme. When the scheme was introduced in 1999 there were only 407 applications with the project cost of Rs.5771 Crores. By2006-07 the number of applications has increased to 12336 with a project cost of Rs.61063 Crores. All this shows that the sector is changing its face from traditional to modern and hence manpower is also required accordingly (Ministry of Textiles).

Outsourcing and Sub contracting

Outsourcing and sub-contracting is the compulsion of globalised economy of the world. When our economy adopted the new economic reforms in 1991 all these global terms were also introduced in the market economy. As a cost saving technique and to simplify the administrative procedures, all these were easily adoptable to the industrialists and they have adopted them. The additional burden of the employers has come down. But all these changes did not affect the employment opportunities in the sector. Being the largest provider of employment after agriculture, the textile sector did not adopt any retrenchment policy due to this outsourcing and subcontracting.

Today's' labour/workers characters are also changing – urban labourers demand more money and quite sophisticated working conditions –if the job does not suite them then they automatically shift their opportunities. On the other hand, labour/workers from rural background with low level of education and skill don't' bother much about their nature of jobs, as for them, getting Rs. 250/ 350 per day, which is much higher than what they get in local area is very important..

Leading foreign retailers and apparel brands are taking advantage of India's strengths as an alternative to China and other countries. Well known names include Carrefour, Decathlon, Gap, H&M, JC Penney, Levi Strauss, Marks & Spencer, Metro Group, Nike, Reebok, Target, Tesco, Tommy Hilfiger and Wal-Mart. In the post-quota era, these and new players will turn, increasingly to India, for their sourcing requirements. Through collaboration and joint ventures India is opening up to the outside world. With economic liberalisation, there are new opportunities for creating joint ventures aimed at supplying international markets. But there is also scope for selling foreign brands in India's huge domestic market (A report on Indian Textiles Industry by Catalyst).

Outsourcing in the textile and apparel industry began in the late 1950s and 1960s when Western buyers turned to Japan for the procurement of good quality fabric and textiles at low costs. Later, the motivation of outsourcing to developing countries was not driven by cost considerations alone; rather it followed as a response to change in the structure of demand as well. The demand for goods shifted from standardized product customized goods produced in smaller batches and in multiple styles with greater demands for product variety and flexibility and hence giving rise to fragmented markets.

At national level, there are some common factors (listed below) which cause the slowdown in employment.

- Slowdown/decline in export orders – affect the working days of the units- quietly the workers given layoffs – it was mainly due to global crisis and slowdown of the Europe and US economy.
- Atomization/modernization – machineries have been replaced with the labourers. Not only factory labourers, even the managerial and administrative positions were also replaced with machineries. The introduction of new software for accounting (like; tally) one computer literate employee can do and is doing job of three accountants. Therefore the rate of growth in employment has come down.
- Availability of multi-skilled workers: Merchandiser, Quality Control Officer, Shipment Manager – for these three positions earlier three persons were employed whereas now one person is capable of looking after all these three positions. Similarly, drivers could not do any other job 5 to 10 years before, whereas at present due to the availability of

well qualified drivers, some outside the unit works like Bank Jobs, Delivery of Couriers etc. can easily be given to drivers; – here also two positions were lost.

- Heavy competition from neighbouring countries like; Bangladesh, China, and Pakistan – in these countries the cost of production is very less and inputs are available at cheaper price as compared with India especially the cotton, yarn and labour.
- Export import policy of the government - permission to cotton and yarn export- affect the domestic market largely. Import of fibers not allowed – both the policies affected the possible growth opportunities of the sector.
- Non-availability of skilled labourers (expertise in garment and related) and even unskilled labourers.
- Removal of quota one way –expected more business –heavy competition – prices were not affordable for the Indian producers. Workers left the units and moved towards better employment avenues.
- Closure of units due to various reasons especially on pollution ground. In one go, 750 Dying units in Tirupur were closed by the order of Honourable Madras High Court during January 2010.
- Increasing input costs especially cotton and yarn. As apparel is seasonal business, orders and prices were getting fixed at least 3 months before. Huge shortage of power in many clusters is also one of the main reasons for reduction in employment.

There is product diversification gap in India due to non-availability of technical / skilled manpower. USA imports 104 items of apparel products. China represents 102 items that is 98 percent of the USA requirements whereas India represents only 66 items that is only 63 percent of the total required items.

The employment opportunities were lost maximum in those units which are completely dependent on exports. Domestic players were not much affected because of the slowdown of world economy. There is high scope and potential for growth of domestic market. Growing young population, rising household's disposable income levels, and growth of organised retail area are some of the favored situations, which can make the sector to grow at a healthy level.

Government support to the sector is just around 10 % in India whereas it ranges between 25 - 40 percentage in Bangladesh, Pakistan and China. In India material as well as labour cost is far higher than these neighbouring countries. (Bangladesh – Labour is available for just Rs. 50 – 100 where as in India it is minimum Rs. 250-300 for even ordinary unskilled labourers .

SWOT Analysis – Apparel Sector

Strength

* Healthy growth rate of the sector
* Sustaining its market /business scope
* Strong entrepreneurial base
* Strong base of the economy
*Change in pattern of demand /fashion of consumers –demographic dividend
* Fast growing domestic market

Weaknesses

* Raw material supply and its cost - cotton and yarn/fiber
* Fluctuating power supply and frequent power cuts
* Increasing interest rates
* Global crisis – slow recovery by some countries
* Shortage of skill/trained manpower
* Environmental issues
* Lack of strong linkage between raw material supplier and apparel manufacturers
* Highly fragmented units
* High dependence on US and EU exports

Opportunity

* Strong domestic and international demand
* Removal of Quota system
* Its quality in the global market
* Government support - TUFS
* Keeping up of customers in global market
* Flexibility in production of even small orders

Threats

* Increasing cost of inputs especially cotton and yarn
* Inflationary pressure - rate of interest
* Competition from neighbours (Bangladesh, China and Pakistan)
* High transaction and power cost
* Fluctuating demand in exports due to elimination of quota

Chapter IV

Suggestions and Policy Interventions

Notwithstanding the bright prospects, on the export front, the industry faces certain critical constraints like, lack of proper infrastructure, high power and transaction cost, incidence of state level cess and duties, lack of state-of-the-art technology.

In today's environment the need to improve productivity is essential. The manufacturers must realize the importance of using scientific ways to analyse how best garments can be made and how manufacturing procedures can be improved. Work study is one of the most important tools that can be used for this purpose. Seven of the 10 factories visited do not know their performance levels, and although the labour portion of the cost is around 25%; there are great opportunities for improved profitability through improved practices and better methods.

Garment factories will not survive in the future without well-organized measurement techniques; they must know their performance levels and constantly work to improve them. The introduction of work study techniques into the industry is relatively new, and the problem has been of considerable shortage of good industrial engineers and the need for accelerated training in the techniques is urgently required.

It may be concluded that, no doubt that the country has benefitted from the MFA phase out, but threats of the open market condition have also become visible. The removal of the quota system has brought the strong players in full swing. China and Korea are the biggest threats to India. In India, the big firms are gaining from the phase out, as they have the capacity to stand boldly and fight the fierce competition. On the other hand, the medium and small firms are more vulnerable as they are finding it difficult to survive in the tough competition. Hence, Small scale exporters need further support from the government.

Lack of capital and technology has always been the bottle necks in India. Our exporters are suffering badly from this limitation. Though, FDI limits have been raised, but the share of textiles sector is not that great. More capital is required for the sector. We find lots of financial as well as technical support from the government but the bureaucratic system spoils everything. Exporters have to face long procedural steps before availing these benefits. How can they spare so much time here when they have to concentrate on the market situation. Very small scale firms find it most difficult to survive. They can enlarge their scale by merging. The Indian exporters need to be more responsive to the market requirements and quick in adapting the new market situation. They have to be more vigilant and follow the market trends if they need to remain in the market for long period as strong players (Asia Chaudhary, 2011)

- Infrastructure: Needs to be created in almost all clusters especially power supply, water facilities and drainage system.
- Inputs: At least for a stipulated time frame, the prices should not be changed (for cotton and yarn)
- Investment: Apparel sector to be given status of prime lending and lower interest rate. Investor friendly policy is needed
- Labour: If Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is linked with the locally available industry, then both government and industry can manage the scheme more effective and fruitfully.
- Policy: More flexible, timely, and suitable policy for labour is needed – all Labour needs to be revised according to present economic situation.
- Taxation: Simple and more transparent taxation system at one point is needed .
- Delay in sanctioning and approving of new project to be avoided.

Recent Initiatives

Government on May 29, 2012 decided to restructure loans worth Rs 35,000 crores to provide relief to the debt-ridden textiles industry. The total outstanding debt of textiles sector is, Rs 1,55,809 crores, out of which, debt of Rs 35,000 crores needs restructuring. The sector has been hit by a sharp fall in cotton yarn prices and poor domestic and global demand.

Technology Up gradation Fund Scheme (TUFS), for the textile sector, would be continued in the XII Plan with an allocation of Rs.15,886 crores. The outlay for TUFS in the XI Plan was Rs.12,000 crores. Under the scheme, government provides subsidies to the industry for modernisation by installing new machinery and adopting upgraded technology.

The industry has been hit by high raw material prices, high interest rates, besides demand slowdown in major markets such as Europe and the U.S. Textile industry which has been faced with massive unemployment and shutdown of business. According to the Commerce and Industry Minister’s statement, “government is looking at all issues of the industry, including the restructuring package, which has been worked out after discussions with the stakeholders.

However, the government urged the exporting community to tap new markets, such as Latin America and Africa.''. The changing domestic economic scenario is expecting to boost the growth of the sector. Rising urbanization, favourable demographics, the expansion of ready-to-wear market are some of the highly favourable conditions which can boost the domestic market for the sector. Likewise, increase in disposable income and changing lifestyle and preferences of the consumers are can make a positive impact on the apparel sector.

Case Study*: Tirupur Export Cluster*

Origin of the cluster dates back to 1920. First export consignment was made during the year 1974. Tirupur's first direct export has started in 1978 with Italy. Mr. Verona, a garment importer visited Tirupur through Mumbai exporters to buy T. Shirts. This is the point where export thinking among the entrepreneurs started. However, the momentum for export started during early 1990. Growth is attributed to the positive steps taken by few visionaries, who founded Tirupur Exporters Association (TEA) to solve the problems faced by the industry. Total value of exports from Tirupur touched Rs.11000 Crores during the year 2007 from the modest Rs. 10 Crores in1984 and reached to Rs.12,500 Crores for the period 2010-11.

At present the cluster represents for India's export especially of knitted garment and cotton wears. There are 6250 units in Tirupur employing upto 3.5 Lakh people directly and 2.5 lakh indirectly. But the cluster has been facing lot of constraints since last two years. The two external factors which hampered the growth of Tirupur are;

- Global crisis and economic slowdown in EU and US.
- Fluctuating currency value.

Apart from these two there are internal factors which have more severely halted the growth. They are;

- Pollution (Asking for 'Zero percent' discharge): Closure of 750 Dyeing Units on pollution ground – in last two years (2010-11 and 2011-12) huge loss of investment/ and export orders causing employment loss. Input cost : –Cotton and yarn price - keep on increasing.
- Interest rates: – keep on increasing.
- Taxation – Multi stage taxation – Introduction of Central Sales Tax -1 %, Central Excise – 10 – 12 %, VAT at 5%, Branded item tax 2%.- Even for Rs. 20 valued under wear branded item tax has to be paid. The exporters have to submit Form 'C' every 3 months, which affects the routine business of entrepreneur.
- Acute shortage of manpower for all jobs. Migrated people from the southern part of the state used to come and work in the cluster. Now due to implementation of MGNREGS no such workers are available.
- Problem of electricity is the burning issue at the point of time due to 8-10 hours per day power cut, and weekly power holiday.

Above all, Tirupur is still surviving because of strong entrepreneurial base, dedicated business community. They need uninterrupted power supply, loan repayment holiday –at least for period of 3 to 5 years to get a relief from the present crisis. The apparel sector may be given loan at the rate of subsidized rates as the sector is labour oriented in nature and big contributor to the employment opportunities in the country.

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Annexure 1

List of Associations, Departments and Federations contacted

I. *Associations*

i. Apparel Exporters & Manufacturers Association (AEMA), Delhi
ii. Bengal Hosiery Manufacturers Association (BHMA)
iii. Confederation of Indian Industries
iv. Confederation of Indian Textile Industries
v. Cloth Manufacturers Association (CMAI), Mumbai, Kolkata and Bengaluru
vi. Federation of Indian Chamber of Commerce and Industry
vii. Gujarat Garment Manufacturers Association (GGMA)
viii. Intimate Apparel Association of India (IAAI)
ix. Ludhiana Apparel Knitwear Manufacturers Association (LAKMA)
x. Knitcloth Manufacturers Association (KNITcMA)
xi. Knitwear and Apparel Manufacturers Association Ludhiana (KAMAL)
xii. Tirupur Exporters' Association (TEA)
xiii. South India Hosiery Manufacturers Association (SIHMA)
xiv. South India Imported Machine Knitters Association (SIIMKA)
xv. Tirupur Dyers Association (TDA)

II. *Organizations/Departments*

i. Ministry of Textiles.
ii. O/o. Textile Commissioner – Headquarters and various other locations.
iii. O/o. Textile Committee - Headquarters and various other locations.
iv. Apparel Export Promotion Council (AEPC) - Headquarters and various locations.

Annexure 2

Number of units and Employment in Apparel Clusters

Name of the Clusters	State	No. of Units	Total Employment
I. Big Clusters			
1. Kolkata	West Bengal	12,291	2,54,700
2. Mumbai	Maharashtra	6,000	3,67,500
3. Tirupur	Tamil Nadu	2,500	3,50,000
4. Ludhiana	Punjab	2,500	2,00,000
5. Indore	Madhya Pradesh	2,000	70,000
6. Bellary	Karnataka	1,305	15,000
7. Jaipur	Rajasthan	950	35,000
8. Bengaluru	Karnataka	850	1,50,000
9. Noida	Uttar Pradesh	750	NA
10. Gurgaon	Haryana	675	79,500
11. Chennai	Tamil Nadu	650	1,40,000
12.Okla	Delhi	250	60000
Total Units		**30,711**	**17,21,700**
II. Small Clusters			
1. Kanpur	Uttar Pradesh	500	7,500
2. Ahmadabad	Gujarat	500	8,000
3.Erode	Tamil Nadu	500	3,500
4. Nagpur	Maharashtra	500	1,500
5. Jabalpur	Madhya Pradesh	400	5,000
6. Madurai	Tamil Nadu	150	4,800
7. Salem	Tamil Nadu	100	5,000
Total Units		**2,650**	**35,300**
Grand Total (I+II)		**33,361**	**17,57,000**

Source: Apparel Export Promotion Council (AEPC) 'Study on Indian Apparel Clusters: An Assessment, 2009

Annexure 3

Per capita Purchase of Textiles (Qty. Meters)

Year	Cotton		Pure Silk		Woolen		Manmade Fibers, Blended/Mixed		All Textiles	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
1997	6.18	9.64	0.15	0.56	0.19	0.37	7.79	10.86	14.31	21.43
2002	6.42	11.26	0.04	0.35	0.08	0.22	10.2	13.03	16.74	24.86
2003	6.51	11.37	0.04	0.34	0.07	0.19	10.98	13.3	17.6	25.2
2007	7.22	12.65	0.05	0.37	0.06	0.13	12.69	15.48	20.02	28.63
2008	7.96	11.96	0.03	0.36	0.04	0.1	12.25	14.01	20.08	26.43

Source: National House hold Survey, 2010, Textile Committee, Ministry of Textiles

Annexure 4

Import of Apparel by US: Contributions from India and neighbouring countries

	Indicators									
	Value (million US $)					% share in US's apparel import				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Bangladesh	3,103	3,442	3,559	3,930	4,509	4.2	4.8	5.3	5.5	5.8
China	22,745	22,923	23,275	27,974	29,392	30.8	32.0	34.5	39.2	37.8
India	3,170	3073	2923	3,112	3,316	4.3	4.3	4.3	4.4	4.3
US's Total Apparel Import	73,923	71,568	67,480	71,398	77,659	-	-	-	-	-

Source: International Trade Administration, Department of Commerce, United States (http:trade.gov)

INSTITUTE OF APPLIED MANPOWER RESEARCH
City Office: 53, Lodhi Estate, New Delhi-110 003
Phone: +91 (0) 11 24697081; 24697082
Fax: +91 (0) 11 2778 3467
Web: http://iamrindia.gov.in E-mail: DG.IAMR@nic.in

Campus: Sector A-7, Narela Institutional Area, Delhi-110 040
Phone: + 91 (0) 11 27787215/6/7
Fax: +91(0) 11 27783467
Web: http://iamrindia.gov.in E-mail: DG.IAMR@nic.in