

**Inefficiency of the buyer-driven value chains of big multinational  
retail houses causes women labour exploitation**

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**Abstract**

United States and European garment brands and retailers have failed in their attempts to structurally improve labor conditions at their suppliers in Tamil Nadu, South India. Despite corporate promises and a range of well-meaning initiatives, workers, mostly very young women, continue to suffer exploitative working conditions. Even today, thousands of women in the garment and textile industry in Tamil Nadu work under recruitment and employment plans that amount to bonded labour. Workers are recruited within as well outside of the state of Tamil Nadu. The majority of the workers are Dalit (outcaste) girls under 18 coming 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. These recruitment and employment practices are often referred to as 'Sumangali scheme'.

This paper documented the exploitative conditions in the Tamil Nadu garment industry.

**KEYWORDS:** Sumangali scheme, Buyers- driven value chain, Women Labour, Labour Exploitation, Adolescent girls.

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United States and European garment brands and retailers have failed in their attempts to structurally improve labor conditions at their suppliers in Tamil Nadu, South India. Despite corporate promises and a range of well-meaning initiatives, workers, mostly very young women, continue to suffer exploitative working conditions. Even today, thousands of women in the garment and textile industry in Tamil Nadu work under recruitment and employment plans that amount to bonded labour. Workers are recruited within as well outside of the state of Tamil Nadu. The majority of the workers are Dalit (outcaste) girls under 18 coming 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. These recruitment and employment practices are often referred to as 'Sumangali scheme'.

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**Introduction**

Over the past decade, the garment manufacturing in Tamil Nadu has experienced major growth. Thousands of small and medium sized factories are caught up by complex process of turning cotton into clothing. The Tamil Nadu garment industry is mainly export-oriented. Customers comprise of major European and US clothing brands and retailers. These companies source straightly from smaller textile and garment factories as well as from larger venture.

American observation about an employment scheme – called Sumangali – for girls in the Tamil Nadu’s textile industry is the clean cause for worry for the \$11-billion Indian garment export industry. International retailers from the US and Europe like GAP, C&A, Walmart, H&M, Primark, Mothercare and Tesco have already asked their suppliers from the region to scrap the Sumangali scheme that supposedly encourages bonded labour.

Indian clothing industry earns 80% of its business from US and the Europe, but has been blacklisted by the US Department of Labour for engaging child labour and forced labour. According to the report prepared by the U.S. Department of Labor, the hosiery and knitwear units of Tirupur area employ about 50,000 girls mostly in the age group between 14 and 18 years under the ‘Sumangali’ scheme. About 10% girls are even younger than fourteen years. According to this information: “The girls working under the scheme are exploited. They are not permitted to go home as staying in the hostels in the factory site is mandatory. Cost of food and boarding house rent are deducted from their small monthly payments. They are permitted to (taken to) go to bazaar once in a fortnight but are accompanied by watch guards and have to come back in a small time of an hour or so. Sexual abuse of girls is rampant. Doctors in the area are eyewitness to large number of adolescent termination of pregnancies of these girls. They are made to work hard and had to work in footing position, which creates health problems”

### **The Sumangali Scheme**

The Sumangali Scheme goes by a variety of names in the South Indian textile manufacturing industry—‘*camp coolie system*,’ ‘*thirumangalam thiruman thittam*’—and is said to have initiated in spinning mills around Coimbatore in the late 1990s. Mills identified young women worker from poor families in neighbor districts as a possible pool poor families in neighbouring districts as a possible pool of new workers.

In the 1970s, spinning mills largely had a male workforce with permanent contracts and statutory benefits, with smaller portions of workers – often women—on short-term contracts. However, with more chances of work, the mills began to have complexities in retaining male workers on full contracts. They started hiring more women for certain time periods, with wages paid monthly and in lump sum payments.

Parents, especially from poor backgrounds, struggle to earn and save sufficient money to get their daughter/s married off with reasonable gifts at the time of marriage (often including dowry). Hence, the Sumangali Scheme provided an opportunity to employ young women workers, who had few or almost no opportunities to find gainful employment in their respective villages, with the promise of a lump sum payment at the time of their marriage. The Sumangali scheme seemed to be a win-win situation for all: parents received a sizeable sum at the end of 3-years that could be used towards the marriage of their daughter and the mills got workers willing to work in the mills continuously as ‘apprentices,’ mostly for no/ little statutory benefits and for wages lower than their male counterparts.

Another reason why the Sumangali Scheme flourished in spinning mills in the location of the mills in semi-urban or rural areas, where trained manpower is difficult to find and young women workers are considered to be a cheap resource, willing to work for lesser wages. Preference for women over men in the spinning sector is also attributed to women being easier to manage at work and more adept at handling repetitive tasks. Other reasons for the feminization of labour in spinning mills also include women being more willing to accept employment as casual or temporary workers at lower wages and inferior conditions of work and their lesser probability of joining trade unions. With young women workers, often below 18, these aspects were magnified,

as these workers have little awareness regarding rights or collective bargaining and they are not considered equipped to stand up for themselves on matters that affect them.

Under the Sumangali Scheme, young women workers were employed as apprentices for 3 years contracts for payment in the range of Rs. 25,000- 50,000 payable at the end of the contract term. Adding together, these workers were provided lodging at a hostel facility and monthly stipends, compensated to them or their parents, after everyday expenditure for hostel and meals were deducted. The young women workers employed under Sumangali were mostly 18 or younger, since they were supposed to get married around the age of 20-21 and 3-years was seen as sufficient amount of time for families to earn some amount to meet marriage expenses for their daughters.

Spinning mills range from tiny units employing around 100 employees, to very large mills with up to 6,000 workers. Mills are capital intensive, investing in high – end machinery are equipment, and working round the clock in 3 shifts to get their return on investment. As mills need large tracts of land, and property costs are extremely high close to towns, spinning mills are usually situated in the periphery of townships, with newer ones even further away. Most of the workers in mills are young women, as a way to keep labor costs low and remain competitive. Mills with hostels are mainly located on the outskirts of towns in the districts of Coimbatore, Karur, Dindigul and Erode. In larger townships like Tirupur and Coimbatore, instances of employment under the Sumangali Scheme are rare in assessment to other districts, as land is more costly and there is little space for sprawling factories with hostels.

### **Buyer-driven value chains**

Industrial and commercial firms have both promoted globalization, establishing two types of international economic networks. One is “producer driven” and the other “buyer-driven”. In

producer-driven value chains, big, usually transnational, producers play the central roles in coordinating manufacture networks (including their backward and forward linkages). This is typical of technology - and capital -intensive industries such as heavy machinery, aircraft, computers, semiconductors and automobiles.

Buyer-driven value chains are those in which large marketers, retailers and branded manufacturers play the key roles in setting up decentralized production networks in a variety of exporting countries, typically located in developing economies. This model of trade-led industrialization has become common in consumer-goods, labour-intensive industries such as toys, footwear, garments, handicrafts and consumer electronics. Tiered networks of third-world service providers that make finished goods for overseas buyers carry out production. Large marketers or retailers that order the goods supply the specifications. Firms that fit the buyer-driven model, including retailers like Sears, Wal-Mart and JC Penney, athletic footwear companies like Reebok and Nike, and fashion-oriented apparel companies like Liz, Gap, Claiborne and The Limited Inc., generally design and/or market—but do not make—the branded products they order. They are “producers without factories”, with the physical production of goods separated from the design and marketing. Unlike producer-driven chains, where profits come from volume, scale and technological advances, in buyer-driven chains profits come from combinations of high value research, design, marketing , sales and financial services that allow the designers, retailers, and marketers to act as strategic brokers in linking foreign factories and traders with product niches in their core consumer markets. Profitability is greatest in the concentrated parts of worldwide value chains that have high entry barriers for fresh firms. In producer-driven chains, producers of advanced products like automobiles, aircraft and computers are the key economic agents both in terms of their income and their ability to exert control over

backward linkages with raw material and component suppliers, and forward linkages into distribution and retailing. The lead firms in producer driven chains generally belong to international oligopolies. Buyer-driven value chains, by contrast, are distinguished by highly competitive and worldwide decentralized factory systems with low entry barriers. The companies that produce and sell brand named products have considerable control over how, when and where production will take place, and how much profit accrues at each phase.

Thus, large manufacturers control the producer-driven value chains at the point of production, while merchandisers and marketers exercise the main leverage in buyer driven value chains at the design and retail stages. Apparel is a perfect industry for examining the dynamics of buyer-driven value chains. The comparative ease of setting up clothing companies, coupled with the prevalence of developed-economies protectionism in this sector, has led to an unparalleled range of garment exporters in the India. Furthermore, the backward and forward linkages are extensive, and assist to account for the large number of jobs associated with the industry. The apparel value chain is prearranged around five main parts: raw material supply including: synthetic and natural fibers; provision of components, such as the fabrics and yarns manufactured by textile companies; production networks made up of garment factories, including their domestic and foreign subcontractors; export channels established by trade intermediaries; and marketing networks at the retail level.

### **Adolescent girls recruited into the sumangali**

Adolescent girls recruited into the Sumangali scheme range in age, on average, from 14 to 18 years old. (ASKVerité found some evidence of girls as young as 12 being trafficked into the scheme.) They come to Tirupur on time-bound contracts, usually three years in duration. They are provided with food and lodging, but are paid the bulk of their salary at the end of the contract

term in order to use the money for their dowries. The girls are typically from various districts of Tamil Nadu, the neighboring states of Kerala and Andhra Pradesh, and sometimes from more distant areas, such as Uttar Pradesh, Orissa, and Gujarat. Under the “Sumangali Scheme” or *Mankalya Thittam*, young girls are offered a small monthly payment with a lump sum of approximately INR 30,000-40,000 (USD 645-860) at the end of a three year contract term. They are housed together on company premises or in other locations away from the factory grounds. The lump sum payment serves as a dowry, and constitutes a tremendous sum of money for India’s economically disadvantaged populations. Children at a core group meeting with National Child Rights Commission and other civil-society partners indicated the existence of Sumangali Scheme in both Tirupur and Coimbatore.<sup>[1]</sup>

The Sumangali scheme shows clear hallmarks of forced labor, such as brokers’ deception about work conditions, withheld pay, compromised freedom of movement, and threats of violence. A 2004 study reported that, “Teenager, unmarried young girls of 15 to 25 are preferred in the textile and garment industry for their competency in work output. Many girls are recruited under the Sumangali Scheme – earning dowry money for the girls’ future marriages.”<sup>[2]</sup> Sumangali workers are especially vulnerable to labor and human rights violations, such as verbal abuse, discrimination, excessive work hours, dangerous working conditions, and non-payment of wages and benefits. These girls are typically employed as “apprentices”, but the conditions of their employment contravene India’s laws on the subject: Apprentices are supposed to be provided training and then evaluated through skills testing for permanent employment. They are also banned from working overtime. Neither of these provisions is observed in the employment of girls under the Sumangali scheme.



A recent study conducted by the Tirupur People's Forum for Protection of Environment and Labour Rights attempted to survey and quantifies the source regions of these migrants to textile mills, and covered the regions and municipalities of Tirunelveli, Virudhunagar, Theni, Sivaganga and Karur. Survey efforts included 1,749 families of girls who have gone to work in spinning mills, spread across 399 villages from 17 Panchayat Unions (and administrative units comprised of 3-5 villages) within five districts. The study revealed that nearly 18 percent of migrant girls were below 15 years of age and 69 percent of them were below 18 years of age.<sup>[3]</sup> Another study revealed that approximately 32,645 young women workers were employed in 1,702 factories in Tirupur and the nearby town of Avinashi. Of these young women, 8,890 were adolescent girls and young women workers employed under the Sumangali scheme. However, estimates as to the extent of the problem vary widely.

According to the Campaign for the Rights of the Unorganized Workers, there are about 37,000 girls and women working under the scheme in 913 cotton mills in Tamil Nadu.<sup>[4]</sup> Labor organizations have noted the upward trend in mills using the scheme and aired the issue publically at a hearing organized by the Tamil Nadu State Commission for Women on the Sumangali Thittam.<sup>[5]</sup> A separate study found that girls working under the Sumanagli scheme in Tirupur came from within the state of Tamil Nadu, as well as from more remote regions of India, including the districts of Andhra Pradesh, Kerala, Uttar Pradesh, Orissa, and Gujarat.<sup>[6]</sup>

### **Violations of local labour laws and international labour norms**

The labour practices under the name of sumangali scheme indicate violations of various Indian labour laws and internationally agreed upon labour standards. Here is a brief overview.

### **Bonded labour**

The fact that employers are holding back part of the workers' wages and only pay them out after the three years have been completed makes this scheme a bonded labour scheme. Forced or mandatory labour is a violation of the Indian Bonded Labour System (Abolition) Act, ILO Conventions 29 and 105 and OECD Guidelines Chapter IV, paragraph 1c.

### **No freedom of movement**

The limited freedom of movement that Sumangali workers are subjected to is a violation of Indian Constitution's Articles 14, 15, 21 & 23 which protect the right to liberty, life, dignity and freedom from exploitation, as well as a violation of Article 13 of the Universal Declaration of Human Rights.

### **Child labour**

Employing children under the age of fourteen in, among others, the garment industry, is a violation of India's Child Labour (Regulation and Prohibition) Act, the International Labour Organisation's (ILO) Convention 136 on the Minimum Age to Work and of the OECD Guidelines (Chapter IV, paragraph 1b). Employing children under eighteen who are working under dangerous conditions is violating ILO Convention 182 on the worst forms of child labour. Neither Convention has been ratified by India.

### **No freedom of association**

Trade unions are not permitted in the factories. Workers are not able to contact trade unions because they are not allowed to leave the factory premises. Not allowing workers to organize

themselves in trade unions or workers committees is in breach with India's Factories Act, India's Trade Union Act, the ILO Conventions on the Right to Organize and the Right to Collective Bargaining and the OECD Guidelines, chapter IV, para 1a.

### **Maximum working hours**

Work weeks of seventy two hours are a breach of the ILO's Convention on maximum working hours (48 + 12) and the Indian Factories Act, Chapter VI, section 51.

### **Occupational health and safety**

Not providing a safe and healthy work environment is a breach of the Indian Factories Act, Chapter III, section 13; ILO Convention 155 and OECD Guidelines Chapter IV, paragraph 4b.

### **Findings**

The research portray highly exploitive working conditions in the garment manufacturing units and textile mills, which in essence provides some of the few employment chances available for adolescent women in the region. Over 80% of the practice is recognized in the spinning mills sector and less than 20% in the garment manufacturing process. It was further found that less than 30% of the yarn from spinning mills in Tamil Nadu is used directly in the supply chains for global brands and retailers. Direct exports of yarn to countries like Bangladesh and China were found to be another way through which yarn produced under the scheme may enter the supply chains for global retailers and brands. The spinning sector exports about 23% of its production.

### **Suggestion**

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 optimistic effects, especially in the garment-producing units that supply straightly to Western buyers. SOMO, Still and ICN conclude that too many buyers are lagging at the back.

To address continuing labor abuses both producers and buyers should step up their efforts through committing to a concerted approach and to concrete and measurable steps, taking into account the whole supply chain with an emphasis on second tier suppliers. For real change, scale is needed. Corporate and other initiatives, certification bodies and business associations should push their associates to commit to real action, or discipline them. The voluntary character of compliance activities should immediately become more binding. Freedom of association and the right to bargain collectively are key rights that enable workers to defend their rights. Both buyers and manufacturers should actively ensure these rights are respected.

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