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A textiles boom gives jobs to India's poor

By Sunil Jagtiani, Contributor to The Christian Science Monitor *Mon Oct 24, 4:00 AM ET*

Champa Kala, a 23-year-old seamstress, doesn't have the English or computer skills needed to find work in the nearby skyscrapers of Bangalore. But her job in Peenya, a dusty industrial suburb, is no less promising for India's future than the call centers and software firms that have transformed this region into a high-tech hub.

Ms. Kala works at a new garment export factory, part of a textiles sector that is booming, thanks to the expiration on Jan. 1 of a 30-year-old global system of textile quotas as well as ongoing Western trade disputes with China. India's textile exports to the US have jumped up to 36 percent this year.

Kala does not earn much for making jackets, which are sent to Gap Inc. Her annual pay is around \$1,200. But the married mother of a 1-year-old child is happy simply to have paid employment. "I got this job three months ago," she says, smiling broadly as machines hum busily around her. "I like working here."

For many economists, new factories like this typify the low-end, labor-intensive manufacturing growth India needs if it is to better the lives of its 390 million low-skilled, impoverished citizens - those who still live on less than a dollar a day and who have been largely bypassed by India's high-end job growth.

"We provide jobs for the illiterate class," says Dinesh Hinduja, a director at Gokaldas Exports, which built the Peenya factory. "We have a training center where we take people straight from villages or farm land. It takes about a month to give them the skills they need. In a given week you might find 300 being trained."

Some 1,600 jobs were created when the factory at Peenya opened earlier this year. Gokaldas Exports has poured some \$9 million into a number of new plants, and the firm now employs nearly 39,000 - a 50 percent rise since June 2004. A handful of other big Indian textile firms are following suit, building new factories to service burgeoning demand from US and Europe.

The nascent boom in the textiles sector - which already employs around 35 million Indians, accounts for 4 percent of the Indian economy, and generates \$14 billion in export revenue - has raised hopes for sustained job creation.

12 million more jobs seen Shankarsinh Vaghela, India's textile minister, thinks as many as 12 million jobs could be created by the textiles sector over the next few years.

"The textiles sector is very important for employment," says Kaushik Basu, a professor of economics at Cornell University. "It is labor-intensive, and annual exports are predicted to hit \$40 billion to \$60 billion in five years. That is huge in terms of job creation."

Mr. Basu says giant firms like Gap and Wal-Mart want to diversify their source base away from China to avoid placing too many eggs in one basket, which should benefit India.

China dominates the global textile market, with a 20 percent market share compared with India's lowly 4 percent. Yet its very success has sparked trade disputes and the re-imposition of quotas by the US and Europe.

The quotas are allowed under special provisos agreed when China acceded to the World Trade Organization in 2001. They can last until 2008.

India is seen as a key beneficiary of the China trade dispute. World Trade Organization estimates suggest India's share of the US clothing market alone will rise from 4 percent to 15 percent in the wake of quota abolition. India is seen taking big strides in Europe, too.

Obstacles: laws, infrastructure However, obstacles to realizing India's textiles potential remain.

Labor laws make it very difficult for all but the smallest firms to fire workers. This discourages hiring and business expansion, leaving the textiles industry fragmented. Yet leftist politicians and powerful workers' unions are fearful of change.

"Labor market reform is a major issue," says Basu. "Firms employing more than 100 people need to get permission from the state government to fire workers, based on a modified law dating back to 1947. Changing laws like this would greatly boost employment."

Poor infrastructure also makes India a difficult place to do business. Factories have to work around power cuts; dispatch goods over a substandard, potholed road network; and make do with congested, antiquated ports. It takes 30 days for a finished Indian garment to reach New York, compared with just 15 days for textiles departing East Asia.

These and other problems, which need political will and massive investment to solve, make some textile industry specialists wary of expecting too much.

For instance, a report released by the International Labor Organization this month suggests India's textile output and exports need to grow by more than 10 percent to 15 percent annually for an extended period, if the number employed in the sector is to rise.

"Only a few companies are investing in new factories," says Sagato Sarkar, a consultant at Texprocil, an Indian textile council. "I can't say for sure if more widespread investment will follow. It should, but there are no guarantees."

The Indian government has penciled in a target of \$50 billion in textile exports by 2010, more than three times today's level.

Sarkar is not convinced by such optimism. "I think \$25 billion is more realistic," he says. "That still implies many more jobs. Rising domestic demand for textiles could help create jobs too. But it is not a done deal."

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