

Challenges and responses in renewal of wage accord in Tirupur garment industry

Paper provided by SAVE, abbreviated and completed with some recent press clippings by FWF, dec. 2006.

1. Genesis and growth of Tirupur garment industry

Overview about the reasons for the growth of the industry indicates various reasons like hard work, dedication, vision and entrepreneurship spirit of employers, geographic location which is centric to spinning mill and accessibility to ports and etc. The most important reasons are concentration of skilled and semi-skilled workforce around the industrial cluster and prolonged industrial peace existed here due to periodical wage accord between employers association & trade unions. Industrial peace in Tirupur garment industry is a result of timely wage agreements and strike free environment created by trade unions. Employers associations and trade unions maintained a flexible approach in the larger interest of the industrial growth and workers livelihood.

2. Wage negotiations and industrial peace

In Tirupur, the contention between the workers and employers over fixation of wages was not uncommon. In the past, there were disputes and disagreement between the workers represented by trade unions and the representatives of employers' associations on issues like enhancing the benefits and social security for the workers specifically whenever there was a demand for enhancement of wage during wage accord negotiations. 1984 strike was a turning point in the history of wage negotiations in Tirupur garment industry. Massive strike orchestrated by trade unions in 1984 yielded a good result and as a consequence both sides started reaching a wage accord for every three years and it is endorsed by state labour department as a third party.

Thereafter, Tirupur wage accord negotiations and wage accords are routine and regular events and during such period little bit of tough postures and stands are adopted by both the sides employers and trade unions as strategies for bargaining and on the due course of time, bilateral claim downs used to bring wage accord. As per schedule of wage accords between employers associations and trade unions, the current wage accord expired on 1st June 2006.

Now, when the time came for renewal of wage accord, there are grey clouds threatening with thunder and lightening. Therefore, the industrial peace existed to facilitate the growth of the industry. It is an acknowledged fact that skilled and semi-skilled workforce of the garment industry and their hard work are the major factors responsible for the growth of the industry. It seems that employers associations have not realized the value of industrial peace and its relationship with industrial growth. Employers associations today aggressively react to the basic demands of the trade unions and this will affect the growth of the garment industry whose backbone 400,000 workers without any doubt.

3. Responses and initiatives

3.1. Initial negotiations

The last wage agreement between Trade Unions and Management in Tirupur Garment Sector, binding over a period of three years came to a close by June 2006. Soon after the expiry of the wage accord, the first joint meeting of the trade unions and the associations of exporters was convened on the 9th of June 2006. The negotiation teams of the both sides are led by Mr. Mohan Kandasamy of SIHMA for the Joint committee of all hosiery exporters Associations of SIHMA, NITMA, Tirupur Exporters Association, TECHMA, and Mr. Palanisamy of AITUC for the Joint Committee of the six trade unions, CITU, AITUC, ATP, MLF, INTUC, and LPF. In the course of the discussions, employers proposed that the trade unions present should present the grievances of the garment workers on wage revision. When trade unions started discussing about grievances of the workers, one of the employers' association the Associations of hosiery manufacturers expressed their view in the meeting that the negotiations pertaining to the fixation of wages for the hosiery workers could be made only after one year. The first meeting ended without any conclusion and the meeting was postponed indefinitely.

Trade unions jointly convened a meeting in Tirupur on the 15th June 2006 for negotiating the feasibility of fixing new wage structure. In this meeting the demands to be placed before the Associations of hosiery manufacturers were unanimously decided and finalized.

3.2. Demands of the trade unions

Trade unions presented a 13-point charter of demands and it is listed below:-

- The minimum basic wage per day for all types of workers should be based on 8 hours per day. The first category of workers like those who are working in cutting, pad-lock, over lock, folding, ironing, singer machine tailors should be fixed as Rs. 145.10 per day. The checking unit workers' wages should be fixed as Rs. 82.20, the wages for the labeling unit workers as Rs. 74.60, for folding unit Rs. 72.55, for damage work unit as Rs. 58.00, for arranging unit as Rs. 41.00 and for local machine section as Rs. 135.20. The wages for the workers who currently receive more than the wages mentioned above have to be revised by adding 50% of their existing wage with the present proposed wage structure.
- For all the hosiery workers, based on the price index no.10867, Rs.1200/- per month should be fixed and paid along with 20 paisa per every enhanced point thereafter.
- Wages for the national and festival holidays should be paid along with the weekly wages.
- The dearness allowance should be raised from Rs.4 to Rs.20.
- House rent allowance of Rs.500 per month should be paid to all the workers.

- Overtime wages should be paid for all the time rate and piece rate workers.
- Death of any worker during the tenure of employment should be paid Rs.25000 as compensation to workers' family by the employer.
- Annual educational support for the worker's children should be provided.
- Crèche for the workers' children should be established.
- Marriage expenses grant should be provided for all the employees.
- A separate cell to prevent sexual harassment should be constituted.
- Employers should ensure that all the benefits and welfare schemes under the labour laws reach all the workers.
- Payment of wages should cover the interim period of expiry of previous wage agreement and the implementation of new wage agreement.

3.3. Second phase of negotiations

Employers associations after receiving the demands of the trade unions conducted their joint committee meeting on 23rd June 2006 at SIHMA office (South Indian Hosiery Manufacturers Association). They have decided that their joint committee will decide about the workers' demand only after consultation with all the members of employers associations within 10 days. They didn't conduct their consultation meeting till the first week of July, so trade unions in order to explain their grievances conducted a massive public meeting on the 10th July 2006 at Tirupur. Out come of these deliberations pointed out that the employers associations are applying brakes and hurdles to delay the wage revision.

3.4. Response of joint commissioner office of labour

Sensing the inordinate delay in the negotiations and growing tension, district labour officer summoned the joint committee of hosiery manufacturers Association and the joint committee of trade unions for a tripartite meeting to be held in Coimbatore on 4th August 2006. Again employers associations' adopted delaying tactics by demanding the postponement of the meeting. So again it was rescheduled to have a tripartite meeting (to be presided by the Joint Commissioner of labour) on 22nd August 2006 at Coimbatore.

3.5. Reactions of Tirupur Exporters Association

The most powerful and decisive employers association is Tirupur Exporters Association and they convened their general body meeting on 17th August 2006 at Tirupur. Following decisions are taken by their general body:-

- Monthly wage will be paid instead of the weekly wage as paid now.

- A five-year wage agreement instead of three years Hereafter the wage revision will be once in five years instead of once in three years.
- Wage will be paid on the basis of production capability and skill.
- No increase in the wages during the first year of the settlement if any new wage structure will be implemented and only 3% increment for second year and thereafter 2% increment for the remaining 3 years.
- The workers without minimum 1 year service shall not be entitled to any benefit

The joint committee of trade unions reacted strongly by rejecting offers of TEA meanwhile TEA expressed its inability to attend tripartite meeting (to be presided by the Joint Commissioner of labour) on 22nd August 2006 at Coimbatore. Independent observers felt that it is an attempt to negate government's intervention in wage negotiations since TEA always want the exemption of Indian labour laws in Tirupur and lobbying for Special Economic Status for Tirupur region. However TEA called for a separate meeting with trade unions on 25th August 2006 but it was postponed to September. In the meantime, National Production Council initiated a pilot survey in the export companies of Tirupur to unearth the feasibility of implementing the wage structure considering the production capacity of the workers.

3.6. Reactions of Trade Unions

The Joint Committee of the six trade unions (CITU, AITUC, ATP, MLF, INTUC, and LPF) led by Mr. Palanisamy of AITUC held a meeting on 7th September 2006 and decided to conduct one day strike on 18th September 2006. This situation emerged due to the lethargic and delay tactics adopted by employers associations. Association of hosiery manufacturers convened a meeting to evolve a solution for the wage dispute on the 12th September 2006 and they have taken tough stand that the wage revision should be done only once in five years. They have convened a meeting with the trade unions and the trade unions rejected their conditions and the meeting was adjourned to 20th September 2006. After mutual accusation the scheduled meeting was again postponed to 25th September 2006. The planned inordinate delays made the trade unions to organize a mass strike on the 18th September 2006. More than 250,000 workers took part in it, and in the recent past, this is a massive strike by the workers in terms of number of participation. It came as a rude shock to employers association despite their efforts through the media to portray it as a strike with lukewarm support from the workers.

The scheduled meeting on 25th September 2006 had been postponed indefinitely as both parties struck to their stand. The course of the events since 9th of June 2006 till the end of September indicated that there is no sign apparently visible towards reconciliation and renewal of new wage accord. Meanwhile another employers association NITMA has conducted a secret survey among the industrialists on fixation of wages for 5 years, monthly wage structure, wages according to production capabilities, and benefit to the workers during the service period, annual increment and other references.

4. Final settlement, December 2006

In December 2006 the Tirupur Exporters' Association and five trade unions signed a four-year agreement (from 1 January 2007 to 31 December 2010). wage agreement for hosiery workers in Tirupur. In the past these agreements were signed for 3 years.

The two agreements, one for the export units and the other for domestic garment manufacturers provide 20 per cent wage hike (from the existing wages) in the basic wages. In the second year, the hike would be four per cent, three per cent in the third year and another three per cent in the fourth year.

First category workers such as cutting masters, tailors, ironing masters and knitting machine operators would get a wage of Rs.156.10 for an eight hour shift against the present wage of Rs.142

The travel allowance, which was Rs. 4 a person a day, would go up to Rs. 5.

The tea/tiffin allowance (overtime allowance) would go up by 20 per cent from the existing level.

The Dearness Allowance would also increase.

The pact was signed by representatives of the Joint Action Council of trade unions, comprising CITU, INTUC, AITUC, LPF, MLF and ATP, and Tirupur Exporters' Association, South India Hosiery Manufacturers' Association and Knitwear Manufacturers Association and a few other associations. The CITU, which had served strike notice, was not a party to the agreement saying that the hike was insufficient and there was no mention of house rent allowance. The workers had gone on a two-day strike on May 21 demanding early settlement to the wage revision issue.

On the other hand, the Knit Cloth Manufacturers Association differed with South India Hosiery Manufacturers Association and Tirupur Export Knitwear Manufacturers Association.