



ENERGISED BY HANDS

A CATALYST FOR CHANGE IN TEXTILE INDUSTRY

NEW OPPORTUNITIES FOR KVIC TO WORK WITH SUSTAINABLE DEVELOPMENT

The Indian government has agreed to fully support the reduction of carbon foot print in the last G20 summit held in September in the US. India has agreed to become a part of the solution rather than the problem. India's total emissions are the fourth-largest in the world, after the United States, China and Russia, though its per capita footprint remains as low as anywhere in the developing world namely 1.2 tons annually, compared with 20 tons in the United States and the world average of 4 tons. The International Energy Agency, a policy and research group in Paris, forecast in November that India's energy demand would more than double by 2030. In turn, if policies remain unchanged, per capita emissions will double, it said, but will remain well below the level of industrialized countries today.

This also shows that India has, in fact, bigger challenges. They are in the field of creating social sustainably and equality.

Why India is prospering and Indians do not?

More than 86 billion people in India, even today live in abject poverty.

The solutions lie at the grass root levels and in the villages

TEXTILE INDUSTRY AND SUSTAINABILITY

Indian Textile Industry contributes about 11 percent to industrial production, 14 per cent to the manufacturing sector, 4 percent to the GDP and 12 per cent to the country's total export earnings. It provides direct employment to over 33.17 million people, the second largest provider of employment after agriculture. Besides, another 54.85 million people are engaged in its allied activities. It has a total market size of US \$52 billion (\$32 billion as domestic household consumption and \$20 billion as exports). Market size potential for the industry is envisaged at USD 110 billion by 2012. This would create 12 million job opportunities - 5 million direct jobs in textile industry and 7 million jobs in allied sectors.

The fundamental strength of this industry flows from its strong production base of wide range of fibres / yarns from natural fibres like cotton, jute, silk and wool to synthetic /manmade fibres like polyester, viscose, nylon and acrylic. The domestic textiles export is likely to see recovery during the Present financial year 2009-10, thanks to the western economies' positive reactions to stimulus packages given by their governments.

The Apparel Export Promotion Council (AEPC) intends to increase apparel exports to \$18 billion by 2015. In 2008-09, India has exported garments and apparels worth \$10 billion, which is likely to grow by 80% in next six years.

With the kinds of challenges that the textiles and clothing industry of India has been facing over the years, there is a need to have a comprehensive strategy for ensuring sustainable growth of this sector. Changes adopted in this industry will have long ranging results affecting thousands of people all over the country.

MORALFIBRE – AN INTERNATIONALLY RECOGNISED SOCIAL ENTERPRISE WORKING TO RE-INVENT HAND SPUN HAND WOVEN FABRICS.

Many people believe that Khadi can become one of the most eco-friendly textiles as it supports the New Ethics of the 21st century. The raw material is renewable and the product is biodegradable. It uses organic cotton when asked for and removes harmful chemicals from the processing and dyeing of the cloth. The hand spun and hand woven cloth has a minimum impact on the environment, as it uses almost no electricity. Moreover, small-scale units near the cotton growing areas reduce the environmental cost of long distance transportation. It gives employment to thousands of low income people all over the country and it sustains the health of people, wildlife and the environment. New Khadi can become the best cloth by far with new ethics - Clothing with a conscience.

With these beliefs and love for the beautifully textured fabrics Khadi, MORALFIBRE started an initiative two years ago. Working in an open market locally and internationally and using the current marketing and promotion practices to promote the 'almost carbon neutral' fabrics energised by hands, MORALFIBRE has found its niche. They promote strict standards in quality production, transparent practices for social sustainability and making sure that the environmental sustainability is achieved at all stages. They use IT and state of the art communication technologies to reach to our clients worldwide. They work with small and large fabric buyers as well as garment, furnishing making houses and designers worldwide. MORAL FIBRE promotes human effort and skills and delivers a message of non-violence and socio-economic as well as environmental sustainability. Last year we were short listed as the most 'the Most Innovative Ethical Business' by Ethical Fashion Forum, UK.

THE KHADI SCENE NOW

Under an umbrella organisation Khadi & Village Industry Corporation - KVIC, khadi fabric is sheltered and protected by its own set up and markets. The Khadi manufacturers have no direct link with the outside markets as what they produce is bought by Khadi shops run by KVIC themselves which are also protected by govt. rebates. There is no link with real market demand and supply. It is found that there is a laxity in maintaining strict controls for quality and improving standards. They generally do not work against the orders and deadlines. There is almost no direct exposure to international markets. Like government and semi – government bodies, all jobs are in the sector are protected and not incentivised by production or sales.

During the India's independence movement, under the patronage of Mahatma Gandhi, Khadi was a symbol of *Swatantrya* - independence and *Swadeshi* - nationalism. We believe that Khadi has even bigger role to play now. It can take textile industry towards sustainable development and help creating a 'zero poverty' world.

There is an immediate need to develop skill sets in this chain. They include technical developments, product developments, business and production management, inventory management, merchandising, client management and managing finances.

The recent proposals by Khadi and Village Industry Commission - KVIC go somewhere closer to the sustainability model. A report on KVIC website says, **KVIC to undertake a massive reform programme in Khadi with assistance from ADB to revive Khadi Industry and enhance employment potential.**

The new Development Programme proposed by us to work with KVIC in many ways will be a path breaker and a demonstration of how the sustainability programme in the Textile industry can be implemented successfully.

The KVIC report says. 'On request of Chairperson, Khadi and Village Industries Commission to Finance Minister, Govt. of India for a sizable assistance to KVI sector keeping in view of inadequacy in support to take care of the need for sustainability of employment in the rural areas of the country, the Finance Ministry agreed to the need of the sector, as reported under a study, decided for extension of such support through Asian Development Bank (ADB). The ADB conveyed its Board approval for sanction of US \$ 150 million for the programme captioned "Khadi Reform and Development Programme".

2In order to fully realize the significant growth potential of KVI sector in terms of employment generation, enhance earnings of artisans and also to ensure positioning of Khadi in consonance with the current market needs, holistic reform measures for Khadi sub sector are envisaged. The Khadi reform and Development programme initiated by Govt. of India with the support of Asian Development Bank (ADB) is an effort in that direction. The 11th Five Year Plan notes khadi production has huge employment prospects, particularly among women and minorities. Revitalization the khadi industry is expected to bolster employment opportunities in rural India.

The ADB loan, which will be released in four tranches over a period of three years, will help revitalize the khadi industry through a comprehensive reform package. The Khadi Reform Package envisages reform support in the following areas.

1. Raw material procurement and Production

KVIC will disengage from production of sliver / roving through infusion of Public Private Partnership (PPP) by good khadi institution / federation etc.

A consideration should be made in procuring raw material – cotton - from sustainable as well as organic farms. This will encourage organic cotton farming and environmentally sustainable practices in cotton growing methods. They should encourage growth of different kinds of cottons, silks, wool, jute, and other renewable fibres. These products have a great demand internationally.

A consideration should also be made of adding different biodegradable artificial fibres and yarns to cotton. This will help fabric range development like anti- crease fabrics, differently finished fabrics, higher strength fabrics etc. This will suit the current markets and it will also give opportunities to develop new markets and high levels of sale of Khadi.

2. Artisan Earnings and Empowerment

Phased replacement of implements and improving the technology to make spinning and weaving implements more efficient and less prone to drudgery. Further, the institutions implementing direct reform programme will have to switch over to working in SHG mode, nominating representative of SHGs to the extent of 50% in the managing committees. The surplus to be earned by Khadi institutions through introduction of benefit chart will also go to artisans.

Social sustainability is at the heart of Khadi production. The basic wage of all workers and artisans must be improved and maintained.

To improve the living condition of the artisans it should be made sure that their basic living standards like food, housing, sanitation, education and health of the workers and their families be achieved and maintained. Any support needed should be sought. These actions should maintain transparency and the statistics should be made public. This will greatly support the social sustainability aspect of Khadi. It will give dignity to Khadi fabrics and it will greatly enhance the selling potential of fabrics internationally.

3. Skill Development through Quality Training Facilities

Enabling participation in the management of khadi institution both existing and new khadi ventures providing frame work for artisan empowerment.

One of the biggest hurdles is that Khadi is still produced in an old fashioned way. Textile industry has taken great strides in last few decades but very little innovation and technical development has gone into Khadi manufacturing. A lot can be achieved while still maintaining core values of Khadi production. The required R & D should be set up and training should be made available

To improve the quality and consistency of spun yarns, standardising procedures including lab testing on site and correct classification of fibres and fabrics should be set up. Introduction of systems like e-charkha in homes should be considered. This will make Khadi fabric more sophisticated and it will greatly improve its selling potential.

It must be made compulsory that each unit should have an access to a young NIFT or NID trained expert for production and IT and communication trained expert for business management. Special orientation sessions should be designed and set up at all centres to teach and promote 'The New Way'. The local, village based trained people may be given a priority.

4. Production Incentives

The present rebate scheme will be replaced by artisan oriented production incentive plan.

The quality production to match the national and international demands should be incentivised. In line with that procurement of raw materials, planning of the production cycles, inventories, preparation of sampling etc be set up and put in action.

The new systems like computer and internet based merchandising, inventories, quick response to enquiries, taking orders, production and stock management, meeting deadlines etc be set up. Suitably trained workers are made available. A lot can be achieved by harnessing the IT and information technology in a right way. This will ensure larger, consistent production and repeat orders.

5. Reforms at Khadi Institution Level

Direct reform assistance will be extended to 300 existing khadi institutions (KIs) to emerge as self reliant and organize khadi programme on their own without the assistance from government. 50 new khadi institutions will be assisted and those are to be organized and managed either on Entrepreneurship Model or on Producer Company Model.

An initial pilot with two to three Khadi institutions will be taken up by us. The success of the pilot with lessons learnt through this process may be implemented at a larger scale.

There is a strong case for public, private partnership here. Big textile production houses, small committed businesses, NGOs must be linked with Khadi clusters and a good network of skills, marketing and client base needs to be activated.

6. Market-linked pricing and introduction of Benefit Chart

Khadi institutions will be encouraged to formulate pricing strategies as determined by market forces through a mechanism of benefit chart.

There are anomalies at present in the way the pricing structure works. The wholesale and retail prices must be rationalised to incentivise large wholesale orders. The National Rebate of 30 or 20% for everyone should be replaced with other more result oriented incentives.

7. Khadi Mark Development

KVIC will develop Khadi Mark for positioning khadi as a guaranteed hand spun and hand woven cloth ensuring specified base earning of artisans.

A new branding and khadi mark like 'KHAADDI PLUSS' be set up. This mark will ensure that the products with this mark would meet newly set up criteria in quality of new fabrics, new variety, high standards and consistent production practices as well as it would meet social and environmental sustainability standards of products and people involved with the industry.

A new Khadi mark in itself will help in setting up much needed new benchmark. It will be one of the biggest incentives in improving and overhauling the khadi industry. This will enhance the status and perception of Khadi nationally and internationally and honestly promoted, well managed, the new brand will open up huge selling potential in India and abroad.

Khadi should also seek some of the internationally recognised accreditations as well to get an international recognition and enhance its selling potential.

8. Marketing Organization

A marketing organization will be set up with majority private partnership to bring the modern concept of marketing in the sector.

We do not have to go far to see some success stories of Sustainable development in textile industry.

SRI LANKA'S READINESS FOR ETHICAL COMMERCE

The Apparel Industry of Sri Lanka is a perfect example of a young industry [only 30 years of existence] that has preached and practiced something that the west is taking cognizance of only now.

The garment industry, with its 370-odd big and small manufacturing members, has been practicing an unspoken code of conduct on ethical business and in manufacturing practices from its inception. A way of doing business that has now been formalized as a single slogan 'Garments without Guilt'.

Garments without Guilt encapsulate the one million-strong Sri Lankan workforces' mission and pledge to create world-class apparel products under globally set ethical business standards. The world-renowned certification agency, SGS, has certified over 100 manufacturing plants in the past year-a rare achievement for any industry-attaining triple digit certification in one go. This Garments without Guilt resolve has found global support and admiration from some of the prominent international figures like the Hon' US Ambassador to Sri Lanka, Mr. Robert Blake, and the editor of the worlds' biggest online fashion magazine, Ms. Leonie Barie. Western media has applauded these efforts by showcasing the industry at various global platforms-from the BBC World Business Report to online ethical fashion blogs such as JustStyle.com.

The Garments without Guilt movement has been further strengthened by the continuous support and guidance shown by its global business partners such as Marks & Spencer and Gap, among others. The recently launched \$1 billion Green Factory project by country's top three apparel manufacturers: Brandix, MAS and Hirdramani is a testimonial of the garment industry's commitment towards partnering their global partner M&S in building a cleaner and greener tomorrow under M&S Plan A CSR program.

Additionally, Gap has partnered with MAS in promoting its Go Beyond programs. This continuous mentorship from global buying houses has helped Sri Lankan manufacturers to step up the momentum for ethical apparel production, slowly and steadily positioning the country as Asia's ethical apparel sourcing hub for global brands and labels.

Whilst the Garments without Guilt program builds global recognition for the Sri Lankan Apparel , the industry recently launched the Abhimani program, aimed at building a sense of pride and ownership towards what we do best-and do ethically-among the 1 million direct and indirect workforce members, out of which 80% are women. The program aims to touch garment workers at the grass roots and individual level.

But like all pioneering initiatives this commitment to ethical commerce comes with a cost, a cost to continuously invest in enhancing people skills, processes, machinery and better environmental safety standards. An investment that the members of Sri Lanka Apparel and their international buyers are willingly absorbing to gift the world Guilt-free clothing. No wonder then, in times to come Sri Lanka will emerge as the preferred destination for ethical apparel sourcing in Asia Pacific region. A realization that is inspiring other regional players like Apparel Singapore to follow the league.

THE WAY FORWARD FOR SUSTAINABLE TEXTILE INDUSTRY IN INDIA and KHADI

SA 8000, known as Social Accountability 8000 is the international standard for management systems, primarily dealing with the working conditions. The principles of SA 8000 are:

No child labour

No forced labour

Health and safety of workmen to be ensured

Freedom of association and right to collective bargaining to be respected

No discrimination on the basis of sex, religion, caste, etc.

No unjust disciplinary practices

Working hours not more than eight hours per day.

Fair compensation (wages), and

Management systems to be in place to monitor the implementation of the standard

Considering the issues relating to Indian needs we should add the following also to the list.

Land reform, labour reforms for cotton farmers

Create clusters, set up teams in unorganised sectors

Reduction of carbon footprint at all stages of industry

Reduce the use of chemicals and pesticides that are harmful to the environment, workers and people

Investment in innovation, research and management practices

Promote equality and say No to corruption

Transparency in wages, practices and systems

The challenges

Though Khadi industry has a potential of having a very strong USP of its own and it can create its unique markets, one should be aware of the global textile industry scenario and trends toward clean and sustainable industry. Changes in international sourcing environment are posing many challenges for the Indian suppliers. These challenges will also apply to Khadi industry and one will have to recognise them and be prepared.

First of all, competing sourcing destinations are now being assessed in the light of new developments related to enhanced concerns for workers and workplace.

Second, increasing awareness and acceptance of such standards will also ensure in the future that similar demands start coming from domestic market.

Third, for fulfilling the desired objectives, awareness, facilitation and support for producers and importers must be ensured.

In the recent business environment, all major international retailers, such as GAP, Nike, IKEA, Levi's, H&M, Sara Lee, Jockey International, and VF corporation have started participating in the improvement of working conditions in the garment factories from which they source, and many of such initiatives have resulted in improvements in the working conditions of the workers. As the issues of improving on the job working conditions are being addressed, companies are realizing the importance of going beyond the factory and participating in improving the quality of the life of workers.

In India, according to available estimates, there are 58 WRAP certifications, 111 SA 8000, and more than 125 AVE audits. Besides this, manufacturers are also keeping up with regular monitoring under code of conduct with specific buyers. GAP is working with over 100 factories, H&M with nearly 60, Kellwood about 40, and Tilburg with around 50 factories for ensuring compliance for their buyers. It is estimated that exporters with a turnover of more than Rs.50 cr are being monitored for compliance and such exporters account for more than 75 percent of exports from the country. Such certification will enhance the 'social image' of Indian supplier's worldwide, leading to a better market share and higher unit value realization. Also, the companies will be able to improve the relations between their management and work force and create a healthy work environment, resulting in higher labour productivity.

Options for Future Progress

In the World Bank study few options for future progress in CSR have been suggested which are as follows:-

Public Sector Engagement:

Real, systemic progress will not happen unless the government gets involved more vitally. Virtually all the parties, including companies, NGOs, and trade unions, are calling on governments to enforce their laws more widely and effectively. A greater commitment to the enforcement of existing standards, to the degree that are consistent with international norms, is viewed widely as having value in itself. In addition it would support the efforts of private sector actors and non-commercial organizations to promote better social and environmental practices. A broader policy questions to be identified as having meaningful impact on the issues at the core.

Standards and Harmonization:

This issue received significant attention in the course of consultations and participants generally viewed harmonization as a critically important goal. While some, especially suppliers, assert their desire for a universally applicable base code of conduct, the investment needed to refine the relatively small differences present in today's codes may prove unwise. By making an effort to create a single global framework risks us getting bogged down in extensive technical and political questions. Instead, more effective steps toward harmonization can be taken through initiatives to promote comprehensive approaches at the national and industry level. To a degree, opportunities also exist for the harmonization and improvement of approaches to implementation of codes and of social and environmental monitoring and verification; these may present the potential for substantial progress, because these are the areas where the multiplicity of approaches seems to create the greatest tension and confusion. A different challenge emerges concerning environmental issues, where establishment of broadly agreed principles are needed, as opposed to the harmonization of existing standards concerning labour.

Capacity Building:

A broadly held view is that capacity building remains a critical ingredient in making both current and future steps more effective. In particular, a focus on the needs and opportunities related to capacity building for workers, suppliers, civil society, and social auditors. A focus on social infrastructure that will deliver value not only in terms of better performance on social and environmental principles, but also in terms of building social infrastructure that is better able to support and contribute to development goals.

Worker Education and empowerment:

Further progress will be made by providing more and better education to workers concerning their rights. This should take place through such means as access to public mechanisms for redress of problems, participation in private efforts to implement codes of conduct.

Research:

There appear to be discrete areas in which additional research would make a substantial contribution toward future progress. Research about the costs and benefits of attending to social and environmental principal more fully would help illuminate this oft-cited but poorly understood aspect of the broader debate. Any such research should take care to distinguish between the business rationale for suppliers and buyers, which diverges in some significant ways. Research in this area would be most valuable, especially to the extent it looks at the business case from the suppliers' perspective in exporting countries, to ensure maximum relevance and uptake of the findings. In addition, the need to build greater understanding of how to achieve worker empowerment in the multiple operating environments to which apparel and agriculture supply chains extend. In conducting such research it would be valuable to more fully illuminate the specific problems faced by different types of workers (for example, seasonal, migrant, and home workers) so that all parties can take action consistent with the experiences and perspectives of these different groups. Finally, research may be able to help promote greater inclusion of environmental and human rights issues into CSR efforts in global supply chains.

Removing Economic Barriers to CSR:

The structural economic barriers to the wider adoption of CSR in supply chains are found in many cases. The very nature of supply chains themselves, especially in the apparel industry may contain inherent disincentives to the adoption of good practice. The lack of face de facto penalties for adopting practices that would transcend significantly those undertaken by competitors. In addition, buyers should address the mixed messages and incentives they send to suppliers, who respond to compliance staff promoting adoption of good labour conditions, and also merchandisers who often demand lower prices, faster deliveries, and shorter lead times.

Conclusion

In his recent book 'Making India Work' the Fabindia Managing Director, William Nanda Bissell says, 'I believe if we continue in our current trajectory, no amount of piecemeal change is going to affect the huge threats facing our development, the epic inequalities in our society, or the environmental havoc we are wreaking. These are not melodramatic predictions. Delhi is facing huge power and water shortages, Naxalite violence is gripping much of the country, and headlines about the melting of the Himalayas are commonplace. The chronic mismanagement of India can no longer be hidden. The cracks are becoming too big to paper over. We are at a historical tipping point. '

Today, India has a significant role to play with or without global pressure. We believe that new growth in the textile industry can be primarily based, on people's energy, and, renewable energy. By promoting sustainable textile industry and Fairtrade in a committed way, India can emerge as a world leader. We can do this without costing our natural resources and harming the environment. The New 'Kaaddi Pluss' and KVIC at this point can play a decisive role, just like Khadi did for our independence movement.

Fairtrade is about better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers. By requiring companies to pay sustainable prices; which must never fall lower than the market price, Fairtrade addresses the injustices of conventional trade, which traditionally discriminates against the poorest and the weakest producers. It enables the people involved to improve their position and have more control over their lives.

More importantly, the inherent transparency of this market helps creating social sustainability and equality. It encourages tracing the roots of each product from farmers, to spinners, weavers, dyers, printers and to manufacturer as well as traders. Our industry can take a lead to become a clean and fair trade industry which will help millions of workers in the textile industry living a life of dignity and well being.

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