Hochschule für
Wirtschaft und Recht Berlin
Berlin School of Economics and Law

Institute for International Political Economy Berlin

The Garment Sector and the Pandemic: Understanding the Impact on Workers in India

Authors: Ernesto Noronha, Premilla D'Cruz, Anurag Shukla

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The Garment Sector and the Pandemic: Understanding the Impact on Workers in India

Ernesto Noronha
Indian Institute of Management Ahmedabad, India

Premilla D'Cruz
Indian Institute of Management Ahmedabad, India

Anurag Shukla
Indian Institute of Management Ahmedabad, India

Abstract:

The global garment supply chain, which consists of a complex network of manufacturers, suppliers, retailers and workers located across nations was severely impacted by the pandemic. It encountered a demand shock, as cancellations of orders and decreased consumer spending resulted in substantial revenue losses. Given this, we were interested in understanding the effectiveness of the state mediated economy (SME) model where the state's capacity to intervene and support the economy is crucial. We found that the state in case of the garment sector did not infuse funds to support the suppliers in the garment GVC during the COVID-19 pandemic. This had far-reaching effects on employment, wage security, and workers' rights. In fact, the state reinforced the preservation of a low-wage regime through the non-enforcement of its own advisories. The sudden loss of jobs and income, along with severe restrictions on mobility due to the lockdown, plunged workers into an unprecedented crisis.

Key words: State mediated economy, global value chains, garments, India, COVID-19, workers.

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Corresponding author: Ernesto Noronha, enoronha@iima.ac.in

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Introduction

Global value chains (GVCs) are prone to all kinds of crises. This is evident from the impact of the financial crisis of 2008, the severe acute respiratory syndrome (SARS) outbreak in 2002 and the recent COVID-19 outbreak in 2020 (Choksy et al., 2022). Indeed, the COVID-19 pandemic generated supply and demand shocks across the world. The disruption was exacerbated by trade restrictions and border closures that impeded the movement of finished goods (Bamber et al., 2020; Ivanov, 2020) and directly affected production, consumption and trade patterns (Espitia et al., 2021) causing losses and a drop in global GDP (Kersan-Škabić, 2022). Not surprisingly, COVID-19 had a significantly negative effect on the exports of countries (Hayakawa and Mukunoki, 2021). This caused a sharp decline in business and cut in global economic growth between -4.5% and -6.0% in 2020, which partially recovered to 2.5% to 5.2% in 2021 (Orlando et al., 2022). Regarding India, the IMF estimated a decline of 1.9% in GDP growth for 2020, the lowest rate since the 1991 balance-of-payments crisis (Walter, 2020). Post-COVID-19, the GDP growth rate has recovered to 6.2% in 2025 (IMF, 2025).

To navigate this crisis, some argue that national institutional frameworks are essential, making it important to consider the different Varieties of Capitalism (VoC)[1] approach (Pinto et al., 2019). Within the context of VoC, Nölke et al. (2020) argue that in state-permeated market economies (SME) like India the state plays a stronger role than in liberal market economies in shielding the national economy. The role of the state as a facilitator, regulator, producer or buyer (Gereffi et al., 2022) becomes particularly important in the context of the COVID-19 pandemic. The state plays a facilitating role when it assists firms in GVCs to overcome challenges in the global economy through measures such as tax incentives, subsidies or industrial policies and by restricting GVC activities through price or export controls and trade restrictions. The state's involvement is deepened when it engages directly as a producer or buyer in GVC activities. When the state adopts a more indirect role in facilitating or regulating firms and GVC-level dynamics, state intervention can contribute favourably to resilience.

[1] Soskice and Hall's (2001) classification of coordinated market economies (CMEs) and liberal market economies (LMEs) was unable to capture the institutional variations seen in Asia (Witt and Redding 2013). Subsequently, a third and fourth model were added to these two original models of CME and LME, dependent market economies (DMEs) for economies in East Central Europe and the model of state-permeated market economies (SMEs) that characterise countries like India (Nölke et al., 2015).

However, when state interventions interfere with the normal functioning of a value chain, resilience can be undermined by the ensuing bottlenecks and disruptions (Gereffi et al., 2022).

In this paper, we try to understand how state-permeated market economies (SMEs) like India (Noronha and D'Cruz, 2021) responded to crises in garment GVCs due to COVID-19. Given that the state is central to these economies it should have taken on the role of a facilitator, regulator, producer or buyer (Gereffi et al., 2022), but before we do that, we briefly describe the varieties of capitalism (VoC) approach. We argue that COVID-19 was a difficult period for everybody, but it especially impacted informal labour in drastic ways.

The Varieties of Capitalism (VoC) approach and India

The original VoC approach of Soskice and Hall (2001) the attempted to fit all political economies of the world into coordinated market economy (CMEs) or the liberal market economy (LMEs) model (Mazumdar, 2010). However, others argue that the VoC approach is was unable to adequately categorise the institutional variations visible in Asia (Feldmann, 2019; Witt and Redding, 2013). In fact, the binary approach to VOC pushed a number of countries like India that have equally distinctive patterns but in which the state has traditionally played a larger role in the economy, to the margins (Feldmann, 2019; Vasileva-Dienes and Schmidt, 2019; Witt and Redding, 2013). Consequently, two additional models have been conceptualised, the model of 'dependent market economies' (DMEs) for economies in East Central Europe and the model of 'state-permeated market economies' (SMEs) that characterises countries like India (Nölke et al, 2015).

The SME as a model of global economic order is indeed different from the liberal model that informs established international economic institutions (Vasileva-Dienes and Schmidt, 2019). The focus of SMEs is clearly on the national control of economic development and a close collaboration with (major) domestic companies (Nölke et al., 2015). Therefore, SMEs are characterised by the dominance of national capital and not of foreign multinationals (May et al., 2019; Nölke et al., 2015; Nölke et al., 2020). Therefore, macroeconomic policies in trade, production and finance continue to limit the entry of foreign capital (Nölke et al., 2020). Liberalization has induced an even closer relationship between the state and private capital (Mazumdar, 2011). The state has become less of a regulator and more of a facilitator with business becoming an increasingly powerful force in the governmental process in India

(Kochanek, 1995). This is clearly the case of the garment industry. Thus, the status enjoyed by corporate capital in India and its voice and influence over the policymaking process have never been greater than has been the case under liberalization (Mazumdar 2011).

Consequently, the stranglehold of business over the state occurs at the expense of inclusive social development which has meant that the state is effectively tilting against the interests of other claimants like industrial labour, the urban and the rural poor, the agricultural and unorganised sectors (Kohli, 2007; Mazumdar, 2011). This is also manifested in issues of industrial relations where neither business nor the Indian state is interested in reducing the size of the informal sector (Nölke et al., 2020). With regard to employment relations – though SMEs show some parallels to LMEs and DMEs in terms of firm-level regulation – lower wages, limited worker protection and a large informal sector make it broadly a different model (Nölke et al., 2015; Nölke et al., 2020). In fact, in the SME model, state institutions arrange the preservation of a low-wage regime through the selective non-enforcement of labour regulations. Moreover, states claim discretion over the regulation of their workforce and often reject international and transnational attempts to protect the hubs via labour standards (Nölke et al., 2015; Nölke et al., 2020). We had expected this policy to continue, if not intensify, while dealing with the COVID-19 crisis.

With this background we first describe the garment value chain and then focus on the impact of the pandemic on the garment industry.

SMEs and the garment value chain

The globalisation of garment production started in the 1960s with the East Asian economies utilising revenues from garment exports to fuel their national development. Later, in the 1980s, the 'global garment commodity chain' (GGCC) moved from East Asian economies to South Asia and China partly because of the increase in labour costs in the East Asian economies and partly due to GATT's Multi Fibre Arrangement (MFA) signed by exporters and importers in 1974 (Mezzadri, 2010).

State as a regulator

The MFA, which imposed specific quota ceilings on garment exporters and fragmented the geographies of garment production (López, 2023), paved the way for India to be one of the first Asian countries to be included in Northern retailers' production networks (Devraj, 2023; López, 2023). The Indian state then locally managed the MFA quota allocations through the Apparel Export Promotion Council (AEPC) which in turn also used quotas to allocate production to local manufacturers. To obtain multiple quotas manufacturers had to register numerous companies. This process created multiple units rather than consolidating production in large existing ones (Mezzadri, 2010).

Besides, controlling the allocation of production, throughout the 1960s and 1970s the government controlled the size, location and composition of textile and apparel investments through a complex system of licensing (Tewari, 2008). Textiles were defined as a priority sector to be nurtured for local development, job creation and growth. Apart from a few composite spinning and weaving mills, 90% of the nation's fabric-making capacity was restricted to the small-scale power-loom and the handloom sector. This meant that it was difficult to scale up production as firms preferred to expand by spinning off small new units (Tewari, 2008) resulting in the closure of composite mills (Noronha and Sharma, 1999). Similarly, garment making – both woven apparel and knitwear – geared toward the domestic market was reserved for the small-scale sector until 2003 and 2005, respectively (Ganguly-Scrase, 2017; Tewari, 2008) and were provided with various tax sops (Mezzadri, 2010). Consequently, the Indian garment industry has been traditionally characterised by a large number of small workshop-like factories employing less than 100 workers (López, 2023) which meant that the Indian apparel industry did not benefit from the economies of scale as compared to garment factories in China, Vietnam, Cambodia, and Thailand (Khan et al., 2009). However, some argue that India's fragmented production capacities have been a boon in the competitive environment, marked by market volatility, uncertainty and fragmentation of demand, where buyers value customisation, product variety and the ability of suppliers to manage small orders flexibly (Tewari, 2008). This has allowed India to venture into a niche – low volume, detailed, and stylized garments. A diverse design base, traditional designs, and embellishments, such as sequins, prints, handiwork, embroidery, mirror and glasswork, make Indian garments unique (Khan et al., 2009).

State as a facilitator

Nonetheless, before India embarked on its external sector reforms in the early 1990s, the role of the state changed from that of a regulator to a facilitator. The government began to actively promote exports in textiles and clothing by initiating a series of shifts in domestic policy (Tewari, 2008). For instance, the 1985 National Textile Policy (NTP) relaxed restrictions. The limit on capital investment in garment-manufacturing units gradually increased from INR 1 million in 1975, to INR 2 million in 1980, INR 3.5 million in 1985, and INR 6 million in 1991. In 1993, this limit increased to INR 30 million, provided at least 50% of the production was for exports. Further, the garment sector was provided support with compensation for exports, permission to import sophisticated machines under the open general license system and funding for promotional activities like buyer-seller meets and exhibitions (Devraj, 2023). The National Textile Policy in 2000 abolished the reservation of production quota for small-scale industries and allowed 100% foreign investment. It also introduced several incentives such as the 'Technological Upgradation Fund' and a 'Capital Subsidy Scheme' to draw capital investments to the garment sector (Devraj, 2023; López, 2023) and promote modernization at internationally comparable rates of interest (Khan et al., 2009). This policy also envisioned a few structural changes, such as the 'Apparel Parks for Exports' scheme, to establish large garment manufacturing units that could attract large-volume orders and compete in the international market (Devraj, 2023). These reforms, by guiding the sector toward exports and inducing technical modernisation, built the competitiveness of strong domestic firms that capitalised on the subsequent opening of the Indian market in the early 1990s. Trade liberalisation in 1991 deepened these outward-oriented processes that domestic deregulation had already triggered in the mid-1980s (Tewari, 2008).

Since the liberalisation of the early 1990s, the export of ready-made garments from India has increased dramatically (Ghosh, 2000). In the year 2000, India accounted for 2.8% of garments on the world market exports (WTO, 2001: 154). In 2019, India was 5th on the list of the world's top garment exporting countries accounting for 3.4% of global exports (WTO, 2020: 10) falling to 2.9% in 2020 (WTO, 2021: 78).

Table 1: Top 10 exporters of clothing, 2019-20
(Billion dollars and percentage)

Exporters	Value		Share in world exports		Annual percentage change
Country	2019	2020	2019	2020	2020
China (1)	152	142	30.8	31.6	-7
European Union	136	125	27.6	27.9	-8
Extra-EU Exports	43	38	8.8	8.4	-13
Bangladesh (2)	34	28	6.8	6.3	-19
Viet Nam (2)	31	29	6.2	6.4	-9
India	17	13	3.5	2.9	-24
Turkey	16	15	3.2	3.4	-6
Hong Kong, China	12	8	...	…	-33
Domestic exports	0	0	0.0	0.0	240
Re-exports	12	8	...	…	-34
United Kingdom	9	8	1.8	1.9	-7
Indonesia	9	8	1.7	1.7	-12
Cambodia (2)	9		1.7		-9
Malaysia		10		2.2	72
Pakistan					-3
United States of America					-19
Total	**411**	**442**	**83.5**	**71.0**	

Source: World Trade Statistical Review 2020, 2021

The textiles and apparel industry in India is the second largest employer in the country providing direct employment to 45 million people and 100 million people in allied industries. The domestic apparel and textile industry in India contributes approx. 2.3 % to the country's GDP, 13% to industrial production and 12% to exports (GOI, 2025) with major exporting partners situated in the USA, the UAE, the UK, Germany and France accounting for 64% of the total apparel exports (GOI, 2018).

The Indian garment GVC

The Indian garment GVC is characterised by commercial agreements with local suppliers and not by high levels of foreign direct investment (FDI) (Ghosh, 2000; Mezzadri, 2010). The percentage inflow of FDI in textile sector from January 2000 to March 2024 was just 0.66 percent (GOI, 2024). The garment sector is a 'buyer-driven commodity chain' which means that the large retailers in the Global North and trading companies control the production networks (Ganguly-Scrase, 2017). The Global South where the supplier firms (manufacturing units) are located are used as a base for subcontracting out processes such as cutting, sewing and embellishment to independent suppliers (Devraj, 2023; López, 2023; Ray et al., 2016). This gives buyers the power to specify the design and change order specifications, shorten lead times, and delay payments (Anner, 2022). Consequently, this division of the production process means that the 'rent' is usually captured by the buyer who specifies the design. It is estimated that the final retail value of an apparel product sold to consumers of global brands in export markets of North America and Europe is 5 to 10 times higher than its factory price (Khan et al., 2009).

Nonetheless, at the forefront of India's growing global presence are tier 1 firms like Gokaldas Exports and Shahi Export House who built ties with buyers and suppliers at home and abroad when the state deregulated the textile and apparel industry in the mid-1980s (Merk, 2014; Tewari, 2008). They produce for multiple brands and retailers with whom they have short-term or stable long-term relations stretching back to 20 years (Merk, 2014). While these companies can raise the capital needed to build full-package factories, or to take over smaller companies (tier 2 and tier 3 enterprises) (Merk, 2014), smaller factories have become subcontractors (López, 2023). Over the past two decades, most tier 1 suppliers have introduced assembly line production systems while outsourcing surplus orders or putting-out labour-intensive tasks such as embroidery, embellishment, cut-work, crochet and button stitching to tier 2 or 3 suppliers. Thus, the Indian garment industry remains highly segmented, and there are large differences in the capacity of organised tier 1 suppliers and tier 2 or 3 sub-contractors (Ghosh, 2000; López, 2023; Mezzadri, 2017) to accommodate seasonal fluctuations (Ghosh, 2000; Khan et al., 2009). In addition, the Indian garment industry is geographically fragmented along cluster specialisations (López, 2023). The National Capital Region (NCR) garment cluster specialises in embroidered women's clothes, the Tirupur cluster specialises in knitwear while the Chennai and Bangalore clusters focus on casual and formal men's wear (López, 2023). These product

variations also have implications for industrial organisation. In the NCR region, a smaller number of tier 1 factories co-exist with many small, informal workshops and home-based piece-rate workers carrying out manual embroidery and embellishment work. In Tirupur, production is conducted predominantly in small and medium-sized factories which have less than 100 workers, while Bangalore and Chennai have a high share of large tier 1 factories (López, 2023).

This is because apparel global value chains are characterised by growing power imbalances between lead firms and suppliers and suppliers and their workers. Buyers use purchasing practices to squeeze suppliers on price, and suppliers squeeze workers on wages and benefits (Anner, 2022). Not surprisingly, while the pace of work has intensified, the global garment industry is characterised by abysmal working conditions, ranging from harsh production targets, nonpayment of minimum wages, and denial of overtime wages (OLR Report, 2023). To complete their targets workers rushed through lunch, restricted drinking water and going to the rest rooms (Mishra et al, 2023). Accidental damage to apparel or a delay of reporting by five minutes results in a pay cut while workers have to put up with delays in the payment of wages, sometimes of up to a month (Ganguly-Scrase, 2016). Worker overtime appears to be integral to the functioning of the garment factories, something that workers are not in a position to refuse, even if they wish to do so (O'Reilly et al, 2015). Verbal abuse, use of bad and insulting language and scolding are most common forms of depersonalised bullying (D'Cruz and Noronha, 2009) used to achieve production targets (Mezzadri, 2016; O'Reilly et al, 2015). Supervisory staff, typically men, employed abusive language that underscored the women workers' vulnerability and dispensability. This behaviour reinforced the existing class, gender, and caste hierarchy in the workplace (Mishra et al., 2023). There existed a culture of gross mistreatment of workers by their supervisors and managers, representing a violation of fundamental human rights. The combination of involuntary and sometimes unpaid overtime, pressure to meet production targets, and regular verbal abuse or threats of termination by supervisors and managers illustrates a situation of "work under duress" and possibly forced labour (O'Reilly et al., 2015) and was termed as torture (Mishra et al., 2023). The absence of a written contract of employment makes workers potentially more open to abuse, as there is no proof of the existence of an employment relationship and no record of the terms and conditions of employment promised and agreed upon. (O'Reilly et al, 2015).

Accidental piercings and injuries from the fast-paced sewing are not compensated for. Prolonged sitting in the same posture causes knee and other joint pain Ganguly-Scrase, 2016; Gross, 2013; Mezzadri, 2010; OLR Report, 2023). Besides this, women workers complain of irregular menstrual cycles, stomach cramps, fibroid, urinary tract infections and white discharge (Mishra et al, 2023). Despite this they are denied health and welfare benefits, such as maternity leave, accident insurance, access to toilets and crèche facilities (Ganguly-Scrase, 2016; Gross, 2013; Mezzadri, 2010; OLR Report, 2023). The case of India indicates that any economic upgrading that has resulted from integration into garment GVCs has not contributed to social upgrading (Anner, 2022). Yet, exporters and industrialists claim that productivity is lower in India because of 'inflexibility' and they bemoan the strict labour laws (Ganguly-Scrase, 2016).

The severe suppression of trade union activity has only made matters worse (Mezzadri, 2010). Union busting practices such as victimising, dismissing union members or worker leaders, subjecting them to all kinds of harassment by management ranging from public humiliation on the shopfloor to being shifted to faulty machines so that workers cannot reach production targets or forceful resignation are widespread (Gross, 2013; López, 2023). The threat of the loss of a poverty wage suppresses workers who show leadership or an inclination to engage in trade union activity (OLR Report, 2023). Thus, unions must deal with hostile management that is opposed to collective bargaining. Companies also use the flexibility to move production around between units to work around problems of employment relations. Attempts at organising are foiled by the ability of industry to shift production to new locations (Mani et al., 2018). The restricted movement of migrant workers in employer-provided accommodation and hostels did not help (O'Reilly et al, 2015). This is further evidence of a lack of social upgrading in Indian apparel GVCs (Anner, 2022). In this context, the motivation for workers to stay on and collectively fight for their rights becomes tenuous. They do not see any utility in joining unions, except when faced with specific problems that unions can help resolve (Mani et al., 2018). The problem of low levels of interest in unions is compounded by the increasing prevalence of migrant workers since they have a shorter frame of reference when looking at employment conditions. Consequently, workers tend to change their workplace frequently often in search for better working conditions, which compounds the challenges to organising efforts (Gross, 2013).

Nonetheless, against this backdrop, local garment unions were founded by civil society organisations and worker activists as independent trade unions without political ties. For instance, unions grew out of NGO-led organising projects in Bangalore. Two local NGOs called CIVIDEP and FEDINA started organising garment workers through a community organising approach. CIVIDEP's support for women workers is twofold: as a trade union, the Garment Labour Union (GLU) negotiates labour rights issues, while as a women's rights organisation, Munnade looks after the other needs of women living in economic insecurity, such as childcare and psychosocial counselling (López, 2023). Despite the low unionisation rate, the garment unions have achieved significant wage increases and implemented basic health and safety standards, such as safe drinking water, ventilation and medical facilities in most factories. In most cases, these have been won with help of additional extra-local pressure from transnational consumer networks and brands (López, 2023). However, one of the ultimate challenges of using international leverage as an organising strategy is to avoid 'cutting and running' (which is when international buyers cancel the order with the supplier) which represents a considerable loss of employment opportunities for garment workers (Gross, 2013).

Social and environmental compliance are also important in the Indian garment GVC (Ray and Miglani, 2018). Exporting firms are required to conform to the quality, environmental, and social standards of foreign firms. There are a set of codes such as non-use of child labour, provision of crèches, fire exits, and toilets, and employee benefits like provident funds. Consequently, independent and third-party agencies such as Societe Generale de Surveillance (SGS), Det Norske Veritas (DNV), and Technischer Überwachungs-Verein (TUV) who carry out audits and certification of products, processes, and systems have emerged (Khan et al., 2009). There is a growing consensus that the dominant system of governing workers' rights via private codes of conduct and auditing does not lead to sustainable improvement of working conditions (Mezzadri, 2010). However, the corporate-controlled governance system excludes local unions and has failed to ensure the implementation of labour rights, particularly freedom of association (Gross, 2013).

Given this backdrop, we investigate how India, as an SME, responded to the COVID-19 pandemic. Did the state effectively intervene in the garment sector? How were workers impacted?

Method

For this study, conversational interviews were conducted with employers, managers, employers' associations, NGO representatives and union leaders working in the sector to assess the impact of COVID on the garment sector and to understand the role of the state in facilitating business and softening the impact on workers. To ensure that participants were comfortable participating in the interviews, the interviews were held at their convenience and conducted in the language preferred by the participant, which was English or another local language. Some of the interviews were conducted over the phone, while in Bengaluru and Tirupur the interviews were conducted in person. The interviews were recorded with the permission of the participant, and the data recorded was transcribed verbatim. The data from the interviews were coded and analysed based on the pre-decided themes. Here is a sample of those interviewed:

Table 2

Employers	4
Employers' Association	5
NGOs	4
Trade unions	6
Management	2
Auditor	1
Agent	1
Journalist	1
Total	24

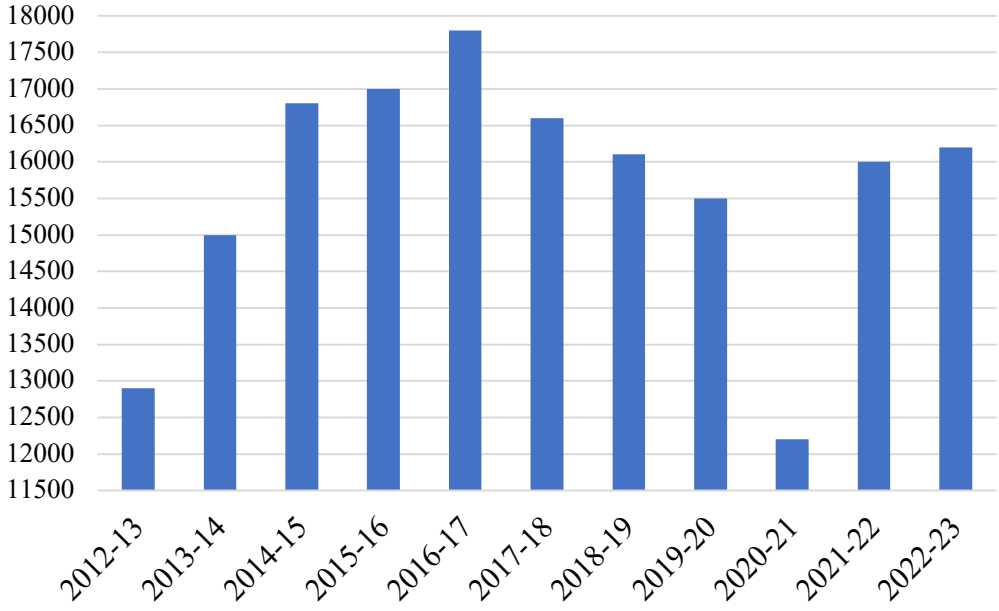
In addition, we also reviewed literature which included newspaper articles and research carried out by employers' associations, NGOs and audit firms. Among these were the reports from the Clothing Manufacturers Association of India (CMAI), AEPC, Clean Clothes Campaign (CCC), Fair wear, WIEGO, Workers Rights Consortium (WRC), and reports by trade unions. This literature was then integrated with the findings emerging from the analysis of the interviews.

Impact of COVID-19 on the garment sector in India

At 8 pm on March 24, 2020, giving short notice of only 4 hours, the Indian Prime Minister, Mr Narendra Modi, announced a stringent three-week nationwide lockdown, starting at 12 am on

March 25, 2020. After the promulgation of the lockdown, the government invoked the Disaster Management Act of 2005 which potentially prosecutes a person who is reluctant to comply with the directives of central or state governments or is found culpable of adamantly obstructing the government employee of performing their duty (Kumar and Choudhury, 2021). The lockdown restricted people from leaving their homes, and all transport services except for essential goods, fire, police and emergency services were suspended (Miyamura, 2021). Consequently, the pandemic dealt a big blow to the Indian ready-made garments industry due to financial uncertainty. The industry's index of industrial production (IIP) dropped 30% and export revenues fell 21% to USD 12,918.8 million in 2020-21. Growth in sales revenues contracted by 19% and profits nearly halved during the year. This was the first double-digit fall in exports since 2001-02 and the lowest amount the country exported since 2012-13 (CMIE 2023, see figure 1).

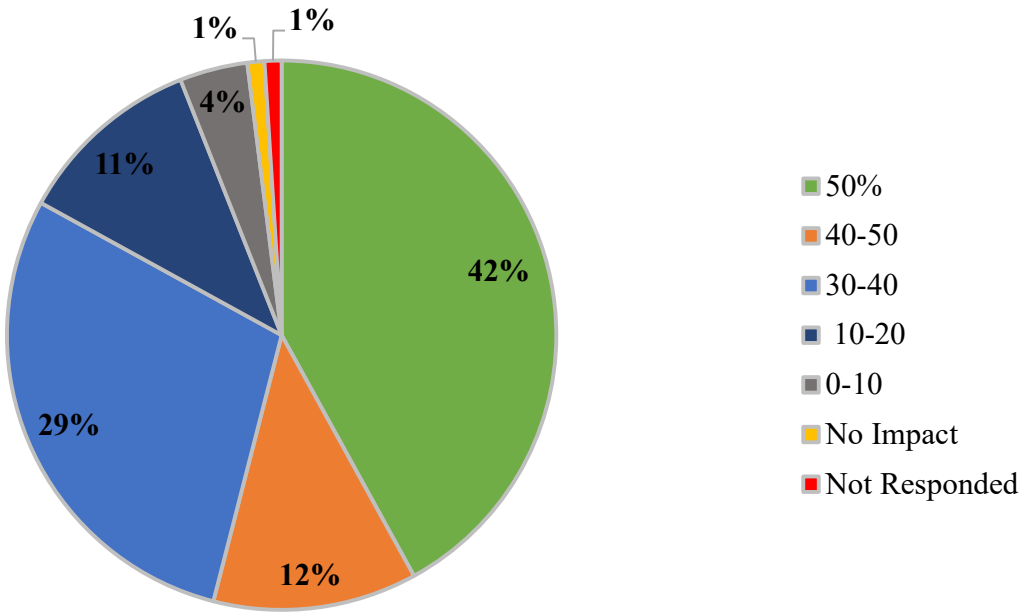
Figure 1: Exports of Apparels (US$ Million)



Source: Centre for Monitoring Indian Economy Pvt Ltd, April 2023

India's apparel exports, which reached US$ 17 billion in 2019-20, fell by around 24% to reach US$ 13 billion in 2020-21 due to COVID (Table 1). Not surprisingly, forty-two percent of the respondents of the AEPC indicated that exports were impacted by more than 50% while only 4% indicated that exports were impacted between 0-10% (Figure 3).

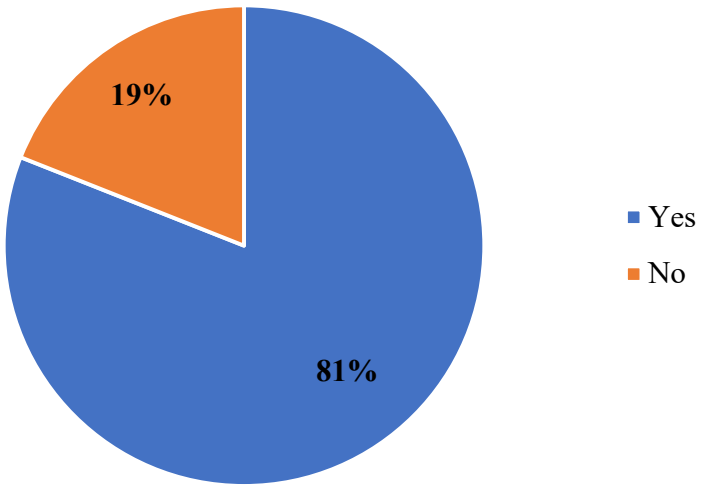
Figure 3: Impact on Exports



Source: AEPC Survey (2020)

According to CMAI 81% of its members experienced the cancellation of orders from their buyers (CMAI, 2020, see figure 4).

Figure 4: Have your buyers cancelled any orders?



Source: CMAI (2020)

The situation got worse because the suppliers could not dispose the produce of one buyer to another buyer. The orders were specific to buyers' trends, styles and colours. Generic material could be used for another buyer but not those already printed for a particular client. An audit firm participant stated:

> "In many cases, companies still have raw materials piled up in the warehouse that they purchased on credit, and these materials have not been used. The specifications are extremely detailed, including the design, fabric, and print. Therefore, the same fabric cannot be used for a different buyer. Trends and styles and the colours—everything changes."

Another manager stated:

> "Every buyer has their handwriting on a product. Today, when GAP purchases an item, it bears GAP's signature. I cannot sell it to anyone else and somebody else will not buy it… A big brand—they have patented fabrics; now those fabrics effectively cannot be used for any other customer… In our supply chain, whatever is not produced must be held or a staggered delivery is asked for… so then those must be held. But obviously, the quality of fabric at that grade, which is not processed, does not have any branding. Then it becomes generic and can be used for other customers as well."

Business also got stalled since buyers could not travel. One manager in Tirupur argued that:

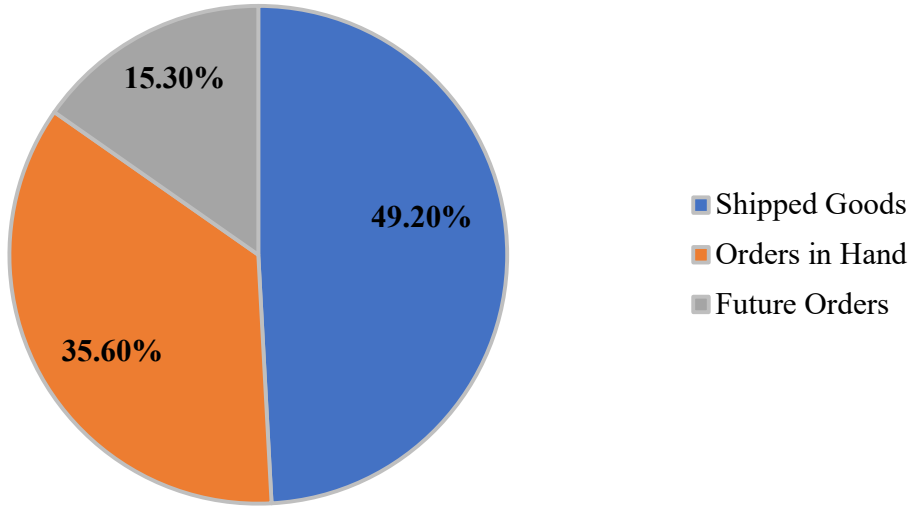
> "Restrictions on international travel hit us badly. Buyers were not willing to travel here. Buyers like to see their suppliers before placing orders."

In fact, garment manufacturers and exporters experienced pressure to reduce prices as a result of declining global demand and unfavourable economic conditions (CMIE Industry Outlook, 2023, May 25). Further, brands negotiated a discount or delayed payments. A manager from Tirupur stated:

> "So once Covid hit and lockdowns started, the buyers told us to hold the shipments. Whatever has been produced should be put on hold, and whatever has been packed should be kept on hold. We should not send any goods to the forwarder until we receive further notification or clarification. The deferred payments, such as those that were expected to arrive, significantly impacted us. The buyers asked for additional time to make the payments."

The AEPC survey indicated that 49% of respondents indicated that their buyers asked for discount on shipped goods, 36% respondents on orders in hand and 15% respondents indicated on future orders (Figure 5).

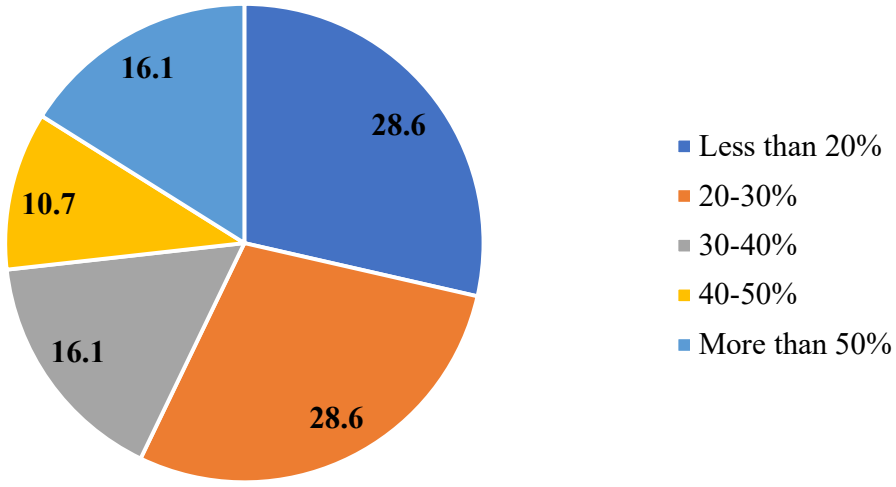
Figure 5: Your Buyer is asking for discount on?



Source: AEPC Survey (2020)

This discount ranged from 20% to 50%. With only 29% of respondents indicating that their buyers were demanding discounts of less than 20% (Figure 6).

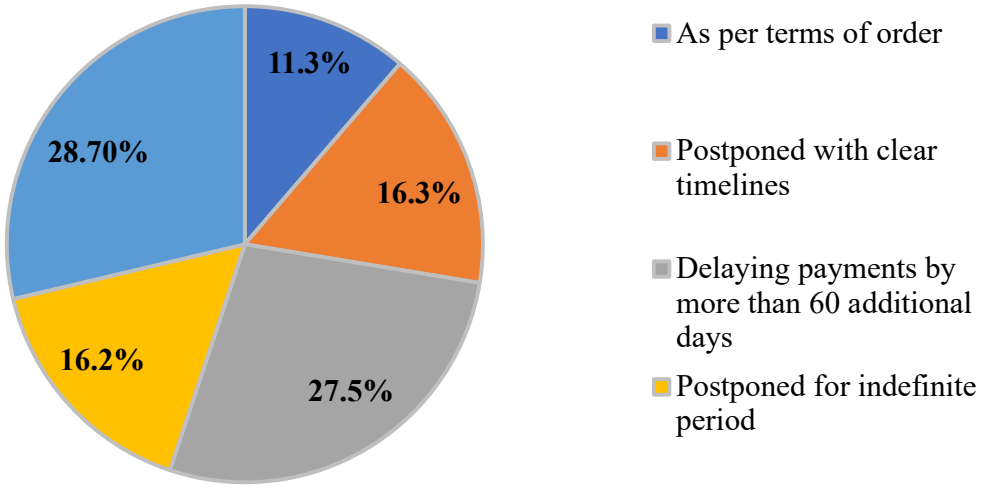
Figure 6: How much discount is your buyer demanding?



Source: AEPC Survey (2020)

Only 11% of respondents indicated that their payments were as per terms of order with most indicating that their payments were delayed by 60 days or indefinitely (Figure 7).

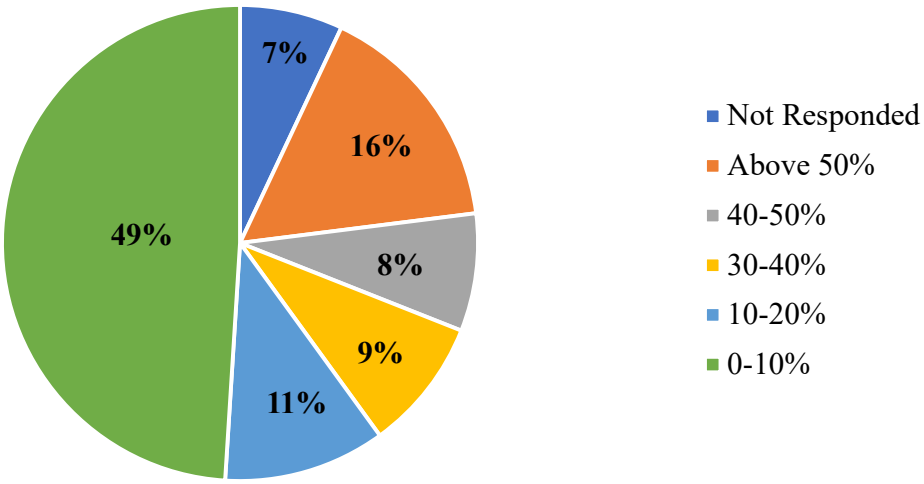
Figure 7: What is the position for payments to be received from your buyer?



Source: AEPC Survey (2020)

Not surprisingly, 49% of the respondents indicated that their capacity utilisation during COVID-19 was between 0-10% while 8% have indicated that their capacity utilisation was between 40-50% and only 16% indicated that their capacity utilisation was above 50% (Figure 8).

Figure 8: Capacity Utilisation



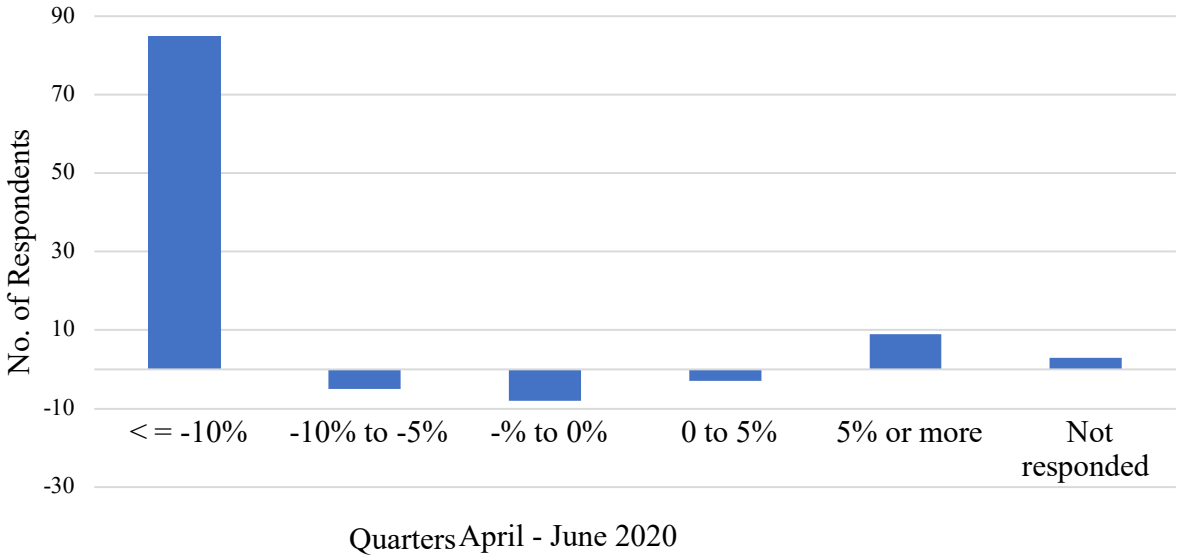
Source: AEPC Survey (2020)

Exporters were thinking about sustaining the business rather than making profits.

> "I would say that those times were about no profit. It was more about sustenance. We had to pay employees; even the government was pushing to pay the people. So, you had to absorb many things."

Not surprisingly, a survey by the AEPC found that about 81.9% of the employers indicated that the expected revenue growth for the quarter Apr-Jun. 2020 was less than or equal to -10% while only 10.5% of the respondents have indicated that the expected revenue growth for the quarter Apr-Jun. 2020 was 5% or more. Fifty-nine percent of respondents in the survey expected more than 40% drop in their revenues (Figure 9).

Figure 9: Expected Impact on Revenue Growth



Source: AEPC Survey (2020)

This had a severe impact on revenues. An AEPC official stated:

> "During 2020-21—the main years of the COVID pandemic—the garment industry was one of the worst affected industries because the retail sector, which is the lifeline of any garment factory or brand, was the first to close and the last to reopen. If there is no retail connection with the consumer, no sales happen. Therefore, the initial impact was extremely severe. I would say that the decline in revenue could be as high as 75 to 80%. Moreover, during 2020-21, at least about 20 to 25% of the industries shut down on a permanent basis."

Morality of brands

In fact, brands even pulled out of orders which were half made or refused to pay or accept shipments even for orders delivered by invoking the *force majeure* clause of their contract.

Anner (2022) argues that the abrupt cancellations violated the spirit of corporate social responsibility and multi-stakeholder initiatives principle of "responsible exit". Buyers got away as suppliers did not pursue legal actions against them or attempt to leverage CSR or MSI mechanisms out of a fear of losing future orders. Some questioned the morality of brands. They argued that the brands were very fickle and broke 30-year-old relationships with suppliers. They labelled this behaviour by brands as 'cruel'. One audit firm participant stated:

> "The pandemic showed us the fickleness of the industry… I was awestruck by the behaviour of the brands. Suddenly, they just cancelled the order; we cannot pay, you know, stop production… we do not have the money… stop the shipment even with those with whom they have a 30-year long-term business relationship. These relationships broke during the pandemic. The relationship was very shallow. The number of years or orders they have completed does not matter. So, I cannot trust them. This situation revealed the high-handedness of brands. They showed their power and control."

An NGO participant stated:

> "Once the lockdown was announced immediately for the next 3–4 months, there was a complete shutdown, except for those getting permission to start making PPE kits. A lot of the big fashion garment brands did not pay even for orders that were completed. They did not pick up the…the shipment or pay for the shipment. There were only a few who honoured their commitments."

Another NGO leader stated:

> "It was poor business practice. Orders were cancelled *en masse*, and suddenly, payments were not made for existing orders. The situation also meant that many suppliers had orders that could not be shipped, so they had to keep them in their warehouses. And whether buyers bought that shipment later is also quite doubtful."

Another auditor stated that suppliers had to bear the brunt. They were caught in a tornado with no infusion of funds by the state.

> "Suppliers had to withstand the worst of cancelled orders… They were caught up in a tornado, and you may not know how to deal with the situation. It is important to find a way to recover from it, especially since there is no infusion of support from the state."

This was representative of a larger pattern of retailers offloading risks in the global supply chain by cancelling orders which affected businesses, and, to a greater degree, garment workers. The COVID-19 pandemic illustrates power imbalances and dramatic governance gaps in the apparel GVC that curtail attempts at social upgrading (Anner, 2022).

MSMEs at the receiving end

The tier 1 companies like Shahi Exports, Alok Industries, JCT Phagwara, Gokaldas Exports and Arvind were impacted by lockdown for a few days as the Ministry of Health & Family Welfare and the Ministry of Textiles, Government of India (GoI) took immediate action to augment the supply of PPEs through domestic production while the tier 2 and 3 firms were closed up to 60 days with only a few units which dedicated their production systems for PPE manufacturing (AEPC, 2020) or requiring to send samples for future orders allowed to function. An employers' association participant said:

> "Garment exports were classified as essential services. Therefore, we effectively closed the factory for only a few days—not more than 3 to 4 days. However, we were allowed to open the factory with many Covid protocols. However, the smooth operations were missing; the operational efficiency was down to 45–50%. Initially, the factory operated with only 60% of its workforce, and then the wrong personnel were assigned to various jobs, resulting in a compounded loss of efficiency as employees were instructed to perform tasks they had not previously done. Furthermore, the supply chain experienced significant disruption as it operated across multiple states, each with its unique set of regulations. For example, Haryana had its own regulations. For example, a truck coming from Haryana to Delhi often stands still for 2-3 days. As a result, the capacity utilization was very poor. Later, as lockdown was lifted, workers wanted to return to their respective states. They could not run buses to ferry workers to the factories and when they were ready to operate, workers wanted to go home. So instead of manufacturing, we must send the samples to the buyer as per the specifications they require. The government also permitted such activities so that we could secure orders after the COVID pandemic."

While Tier 1 companies began manufacturing PPE kits, many micro, small, and medium enterprises (MSMEs) faced the risk of permanent closure (Hansen et al., 2021). One industry leader argued that the bigger units survived but MSMEs operating in the informal sector which did not have the reserves to survive the lockdown could not reopen (Hansen et al., 2021). Another manager of a Tier 1 company stated:

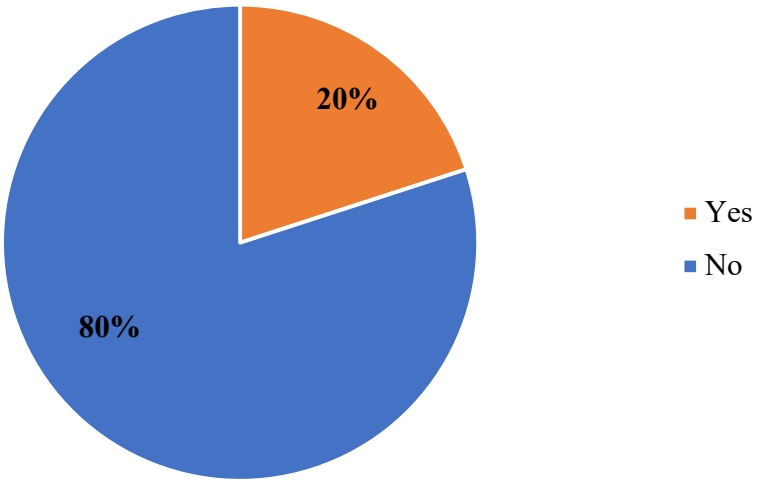
> "So, in some cases liabilities were shared between suppliers and large buyers, but smaller buyers could not share the liabilities. There were also some bankruptcies at the end of the retailers. Some released payments to the tune of 50% and 50% at a discounted rate later so that the capital flow is not blocked… I estimate that around 30%-40% of smaller companies would have shut down; I am uncertain if they reopened afterward, but there was definitely an impact. If smaller units close and there is surplus work in the market, then you can expand; but if there is no demand, the bigger units also struggle to stay afloat. So, there has been no expansion whatsoever."

For tier 2 and 3 companies the lockdown came as a big shock and hit them very badly.

> "We were totally closed for 60 days, and after that, we restarted with restrictions. An exemption was given to us, which is 10% facility, 20% facility; that really did not help, you know. There were only a few big firms that could sustain. So, we could only just…because we were not allowed to ship anything. See, our industry is—you must understand—we are still a *dal roti* industry and cannot afford a buffet. We live from hand to mouth. So, whatever we pack today must be shipped, and then only you get money. We are not Shahi… So, COVID and lockdown were shockers for us. We were affected in a big way. because we could not run the factories, and we had to shut down for more than 2 months completely, and then when we were allowed also, we were allowed to run at 10% capacity, and then slowly it got increased to 30-40-50, yes. However, the migrant workers from Jharkhand, Orissa, Bihar, and Chhattisgarh expressed a desire to return home."

Similarly, the CMAI survey (2020) conducted amongst its members in the aftermath of COVID-19 revealed a deeply stressed situation throughout the garment sector. Twenty percent of the respondents believed that they would be forced to close their businesses.

Figure 10: Are you considering closing your business due to the crises?



Source: CMAI (2020)

Besides this, when lockdown was lifted, COVID-19 restrictions made it difficult for firms to operate at full capacity. Operational efficiency was also impacted by logistical issues and migrant workers wanting to return home. Even tier 1 companies' capacity utilisation was impacted given the COVID-19 protocols that required staggered shifts, limited humanpower and inability to match humanpower requirements. Consequently, there was not a takeover, but consolidation took place because some factories closed. An official of CMAI had this to say:

> "Also, obviously, when there are factories that are closing, there is a certain amount of consolidation that has been happening. And those factories which are…which did manage to survive Covid, I think, are doing well today. Though we are going back to 2019 figures, which may not be a great achievement since these 3 years. But for the…that same revenue is being divided amongst a smaller number of manufacturers and therefore individually the companies that have survived are doing well as of today. Some organizations, companies, or labels have gone out of business, consolidating the market."

To tide over this distress, some garment suppliers shifted their focus from only international markets and instead began to focus on domestic markets where well-known international brands had also begun to set up their retail outlets.

> "Even now (2023), the export is almost 60%-40%, you can say. Then, after Covid, some started testing the domestic waters. They no longer solely rely on the global market. They can also access the domestic market… Reliance has 15000 stores... Moreover, some of the brands to which they were originally supplying—Tommy, GAP, Levi's, and Adidas—have opened stores here. So they are also sourcing from …Tirupur."

Post pandemic, pent-up demand resulted in a sharp recovery in the garment sector but subsequently slowed down from which it is yet to recover. The removal of restrictions relating to the COVID-19 pandemic led to the re-opening of the global economy and helped garment exports recover in the financial year 2021-22. The robust demand helped exports surpass the pre-COVID levels as they grew by 31.3% to reach USD 16,032.4 million. However, strong export demand continued only into the first quarter of the financial year 2022-23, after which it turned sluggish. This is attributed to worsening macro-economic conditions in key export destinations like the United States and the United Kingdom. Sales in the readymade garments industry experienced a decline of 3.7% in the March 2023 quarter (CMIE Industry Outlook, 2023, April 20; May 17; June 01). The revival of demand soon after COVID-19 was misread as market bouncing back but demand increased because of western government spending. However, the Ukraine war once again dampened demand and resulted in a slump in the market.

> "After COVID, demand surged as people bought more than they did post-lockdown, which we misread. We thought... that the market had rebounded and we were going to have huge orders, but that was superficial. But thereafter, what happened was this Ukraine war and the oil prices going high, things becoming expensive, the dollar price going up and all these things had a different effect, you know. And so, the sales are awful. Currently, the majority of buyers are stocking up in their warehouses, indicating a decrease in order volume."

Role of the State during COVID-19

The impact of the pandemic was so severe that even prominent garment units demanded support from the government. Textile and apparel producers began to press for a relief package specifically for the sector. Though there was nothing specific done for the garment sector, the Indian government responded by implementing several financial measures to support business in general and mitigate their economic hardship.

According to the AEPC report, the Ministry of Textiles announced that the export of garments and made-ups scheme for rebate of state and central taxes and levies (RoSCTL) was extended beyond March 31, 2020, the norms under Amended Technology Upgradation Fund Scheme (ATUFS) were eased, part subsidy of Joint Inspection team (JIT) recommendation was released against bank guarantee. Besides this, the RBI gave a moratorium of three months on payment of all instalments due between March 1, 2020 and May 31, 2020, working capital financing was eased, the time for realisation and repatriation of export proceeds for exports was extended to July 31, 2020, and the enforcement of the provisions of automatic caution listing was exempted till 30 September 2020. Further, the validity period for making imports under various duty-free import authorisations expiring between 01.02.2020 and 1.07.2020 were allowed automatic extension for another six months from the date of expiry by the Directorate General of Foreign Trade (DGFT) without payment of any composition fee. The Central Board of Indirect Taxes and Customs (CBIC) took measures to facilitate trade during the lockdown period. There was exemption of customs duty on ventilators, personal protection equipment, COVID-19 testing kits and inputs for these goods. Exemptions were also granted from payment of Integrated Goods and Services Tax (IGST) and Compensation Cess on the imports made under Advance/EPCG Authorisations and by EOUs up to 31.03.2021. Moreover, the ESIC contribution for the month of February, were allowed to be filed and paid up to May 15, 2020, instead of earlier extended period of April 15, 2020. EPFO announcement - Date of Filing Electronic Challan Cum Return (ECR) for the Wage Month March 2020 was extended up to 15.05.2020 from 15.04.2020. The MHA issued guidelines on May 1, 2020 that Shipping companies or carriers (and their agents) would not charge, levy or recover any penal charges, demurrage, ground rent, storage charges in the port, detention charges, dwell time charges, additional anchorage charges, penal berth hire charges, vessel demurrage or any performance related penalties on cargo owners/consignees of noncontainerized cargo till May 3, 2020.

Moreover, it announced a relief package for the Micro, Small and Medium Scale enterprises (MSMEs) which included redefining MSME, collateral-free loans with a moratorium of 12 months on principal repayment and interest payments, 25 percent reduction in TCS (Tax Collected at Source) and TDS (Tax Deducted at Source) to improve liquidity and a marginal reduction of 2% in employer's and employees' contribution to the Employment Provident Fund. The long-awaited demand of textile and apparel producers for redefining the MSMEs was also fulfilled. The government has increased the turnover limit up to INR 100 crore and the investment limits up to INR 20 crore for medium-sized units. It is expected that around 45 lakh small businesses will get benefited from the INR 3-lakh crore collateral-free automatic loans for businesses. These reforms were expected to benefit the textile and apparel industry in a big way as more than 80% of textile firms were micro, small and medium enterprises (Khan, 2020). However, government bailouts for the textile industry were not applicable to all MSMEs, as not every business was registered or meets the necessary requirements in terms of the number of workers or size (Hansen et al., 2021).

> "The government announced nothing specifically for the garment industry but the measures that they announced for the MSME sector supported the garment industry. Otherwise, the percentage of companies closing would have been higher. So that they benefited from it. At that time, the minister in charge, Smriti Irani, appealed to foreign buyers not to cancel orders or lower prices. That did have a moral effect."

Impact of COVID-19 on Unions and Labour

As soon as the lockdown was announced, confusion arose among workers regarding whether they should report to work. The government issued orders for people to stay home and avoid leaving their houses; however, employers and managers continued to call employees to work. Many workers, fearing job loss, attempted to report to work, but police stopped several of them. Some companies locked their workers inside the factory, forcing them to work or confining them to company-run dormitories (Bhairok et al., 2020; SLD, 2020).

This uncertainty extended to wage payments. The hardest hit were daily wage workers, who immediately lost both their jobs and wages. For other workers, the situation was less severe, but discrepancies in wage payments persisted despite the Ministry of Labour and Employment (MoLE) issuing an advisory on March 20, 2020. This advisory urged employers in both the public and private sectors not to terminate employees, especially casual or contractual workers, or reduce their wages. On March 29, 2020, the Ministry of Home Affairs (MHA) issued a

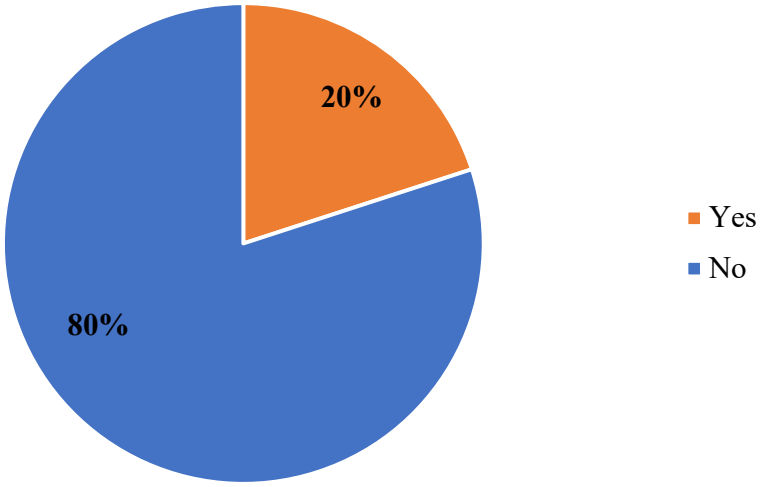
binding order under Section 10(2) of the National Disaster Management Act, requiring all employers to pay their workers' wages without any deductions for the duration that establishments were closed during the lockdown. Workers reported receiving their salaries only for the period prior to the lockdown—specifically, before March 22—and only for the days they actually worked. There were instances where factories attempted to avoid paying workers for the days they worked leading up to the lockdown. Many workers faced issues receiving their salaries for March 2020, with problems persisting until the end of April 2020. Some workers indicated that they received their salaries for March 2020 but did not receive payment for the overtime hours they had worked. Some companies later paid these amounts in May 2020 (Bhairok et al., 2020). Very modest estimates suggest that more than $259 million (USD) in wages were lost between March and May 2020 for the roughly 1.85 million workers in these regions (Clean Clothes Campaign, 2020).

One audit firm employee stated:

> "For 54 days, most of the workers were not paid because there was no work. Some of them, who got paid 50%, worked for firms making huge profits. The breakdown of the supply chain meant that there were no orders coming in. European and American brands cancelled orders at the last minute and did not buy orders that they had previously placed. A lot of orders were languishing, which meant that production had to stop, and if production had to stop, workers had to be temporarily laid off… Wages were not paid. Most of the workers said that they either did not receive wages or, if they received them, they were partial—50%. This situation represented a significant breakdown in the supply chain and in the commercial relationships between brands and their suppliers."

There was quite a strong resistance from employers as most factories claimed they couldn't pay because orders were cancelled. Around 80% of respondents in a CMAI survey expressed their inability to support their current workforce without the government support and demanded wage subsidies, interest subvention, working capital support and moratorium on their loans (CMAI, 2020, Figure 11).

Figure 11: Will you be able to maintain your current workers/staff without government support?



Source: CMAI (2020)

Though some fashion conglomerates such as H&M, Tommy Hilfiger, Gap, and Levi's supported the vaccination drives, they denied responsibility for non-payment of wages, factory closures, or job losses (Shivanand and Prathibha, 2021). Rather, garment manufacturing firms were successful in lobbying favours from the government. For instance, the variable dearness allowance (VDA) was revised for 2020-21 as per the consumer price index points in April 2020. Following a demand from the garment factory managements, the state government issued an order in July 2020 deferring the implementation of the revised VDA for 82 scheduled employments, including the garment sector. Consequently, garment factory workers are not paid revised dearness allowance (DA) for 19 months with the industries citing a government order that had been stayed by the high court to deny workers their rightful dues. Some trade unions filed a case in the High Court of Karnataka in August 2020. Following which, the position taken by the industry was that the matter was sub-judice. In September 2021, the Karnataka high court ruled that the minimum wage, including all arrears, must be paid to workers regardless of any other court proceedings. Labour groups argued that this was the 'worst wage theft' ever documented in the global garment industry and estimated the total amount of unpaid wages to be more than US$ 50m.

> "The government rescinded the notification about the payment of Dearness Allowance for 2020-21 on the pretext that garment employers were in a very difficult situation. These employers are an immensely powerful lobby that contributes crores of rupees to party funds."

Further, workers had to contend with layoffs or were forced to resign so that factory managements would not have to take on the financial burden of compensation. Besides this, many garment factories like Dress Master Apparel, Garden City Fashions producing for Gap, C&A, Guess and JCPenney fired workers or closed during the pandemic without paying compensation in violation of the law. Some of the strategies used to force resignations were stopping bus transport, kept their crèches shut, transferring workers to other units, and promising them reinstatement when the situation stabilised (Shivanand and Prathibha, 2021). This resulted in a lot of hardship. Some were forced to give up their jobs or had to walk long distances to work.

> "They have been able to travel back to factories now, but the conditions are not the same. So, what we saw for some time was that crèches had not opened up again. Transport facilities were not being provided because the employers could just say that, you know, we are taking care of the exposure, but the workers had to face hardships. Because they could not afford private transport, the workers had to walk several kilometres to get to the factory and back."

Further, migrant garment workers were hit the worst by COVID-19. They were not provided rations by the local state governments. They not only faced unemployment and indebtedness but also homelessness as landlords did not waive rental payments despite the Ministry of Home Affairs order of March 29, 2020 (Hansen et al., 2021). This situation compelled many workers to make the difficult decision to return to their families in villages and hometowns by any means necessary. It was particularly challenging for those with meagre savings to get home due to the lack of government-organized public transport. The absence of communication and the ensuing chaos left many workers stranded at departure points for days, with little or no access to food and water. Information regarding train and bus schedules, registration procedures, fare amounts, and payment recipients was rarely provided. The confusion persisted for months, imposing severe hardships on migrant workers grappling with hunger, fear, confusion, and feelings of helplessness and abandonment. Many were forced to pay exorbitant prices for travel arrangements, often borrowing money from friends or family to cover these expenses. The journey on Shramik train services, initiated by Indian Railways on May 1, 2020—38 days after the lockdown began—was extremely arduous, uncertain, and challenging.

Workers found themselves stranded on these trains without food and water, as they were rerouted on lengthy detours before reaching their final destinations (Bhairok et al., 2020).

Daily wage workers faced immediate challenges; without wages, there was no food. There were times when workers only drank water for days at a time. The halted movement of delivery trucks disrupted supply chains for essential goods, leading to rising prices. As the magnitude of the crisis became evident, the Provident Fund (PF) Scheme was revised by the government to allow for a Covid-19 non-refundable advance of up to 75% of members' total PF contributions or a sum equivalent to their three months' wages, whichever was lower. Consequently, there were 12.1 million claims during the COVID-19 pandemic, leading to the disbursement of ₹282.88 billion ($3.77 billion) (GOI, 2021). Additionally, the central government announced on March 31 that workers would be able to receive rations from public distribution system (PDS) ration shops, even if they lacked a ration card, provided they presented their Aadhar card details (Bhairok et al., 2020). However, other measures announced for workers, for instance even the meagre credit of Rs 500 per month (approximately US$7) for three months to women did not reach their digital bank accounts (see Fairwear.org, 2020).

Given the situation, NGOs and unions supported workers through cash transfers and providing dry ration and safety kits to migrant workers and arrange trains for them when they wanted to leave.

> "The ones who were losing were migrant workers whose lives were on the line…especially in Tirupur. They had no job. So, they were basically sitting with their baggage on the road for someone to pick them up. At one point, there was no available transport. It was a pitiful condition."

During the lockdown, the acute lack of union support became evident. This situation prompted several groups of workers to self-organize and provide mutual assistance. They formed small teams in various localities, engaged with landlords, and arranged for the transportation of rations and cooked food. Networks emerged to assist workers in registering on online portals to access the small monetary benefits offered by their home state governments and to enroll for Shramik trains (Bhairok et al., 2020).

Besides migrant garment workers, home workers – especially those involved in activities such as embroidery or beading – lacked proof of employment and struggled to access

support. They were last in line to benefit from any help being provided by brands, manufacturers or governments (Bain, 2021; NDTV, 2020). Only 12 percent of home-based workers were able to work during the peak lockdown restrictions, while nearly one-third (32 percent) managed to work in June, as the easing of the lockdown began. Average earnings in April 2020 were just 13 percent of pre-COVID-19 earnings, and in June 2020, they rose to only 14 percent. Among the households surveyed, 18 reported that adult family members experienced hunger, and 16 reported that children in the family went hungry. To cope with this situation, over 70 percent of the sample households borrowed money, 33 percent drew down their savings, and 27 percent sold assets, resulting in depleted resources and increased debt (Weigo, 2021).

Clearly, workers had to fall back on the rural economy for survival.

> "The workers went back to their villages. It is the rural economy that supported them. Some of them did not want to go through this kind of precarity and absolute helplessness again, so they stayed back and worked in the villages, while others had no choice but to return. Even after production restarted, they were very unsure of getting their jobs back, whether they would continue to work for 30 or 26 days in a month, and whether they would be paid their full wages."

However, many workers would prefer that factories continue working. Therefore, unions as well as the employer association pleaded with the government to lift the lockdown or allow factories to run with up to 50% of their usual staff (Bain, 2021).

Post-COVID-19 return

Not surprisingly, when production initially resumed, labour shortages emerged. Migrant workers were reluctant to return to work, even as garment factories began reopening. Their primary concern was the significant uncertainty, chaos, and abandonment they experienced. Workers feared facing similar threats of layoffs and salary issues in the future. Additionally, there was uncertainty regarding the resumption of orders from global buyers for the summer season. Moreover, they perceived a reduction in opportunities for overtime work, which negatively impacted their ability to survive and send money home. Furthermore, the factories were not effectively enforcing COVID-19 prevention guidelines, which required hand washing, mask-wearing, and social distancing (Bhairok et al., 2020). Consequently, factories were forced to put notices outside their gates to fill vacancies and lure workers back by providing free transportation, accommodation, and food (Hansen et al., 2021).

> "There was a sudden increase in demand. After Covid-19, consumers began purchasing more products than they needed. We got huge orders… We then started reaching out to our employees or workers and asked them to come back. Employers sent out buses to their villages… They sent their staff to the villages, pleading that there was work; please come back. And people started coming; how long can employees withstand… Since those working in our industry live below the poverty line."

However, apparel workers returning to work were subjected to work intensification, verbal abuse, and inhumane and mandatory overtime amounting to forced labour through both involuntariness and penalties (Bhattacharjee and Khambay, 2022; Hansen et al., 2021).

> "So, there was a sudden period when targets went up significantly… There was intensification of production… The shop floor relations were impacted because workers tend to resist and when they resist, there is verbal abuse."

However, the increase in workload did not translate into higher wages (Keller, 2023). In fact, some garment workers who were paid wages or provided food and shelter during the lockdown were either asked to pay back by working for lower wages or working extra shifts for free or face job loss (Nagraj, 2020). The new cohort of migrants promised 8,000 Indian rupees per month in wages but tend to get closer to 4,000-5,000 rupees per month. The factory owners explain this discrepancy by stating that the new cohort of workers requires training (wiego, 2022). Further, as the market gradually revived male workers were preferred even though women were more productive and disciplined. Supervisors believed that they could not be strict with women operators, and it was easier to deal with them about issues of overtime, hiring and firing, or pressurising them to complete the production targets (Tagra, 2022).

For some organisations the pandemic provided an opportunity to indulge in union busting. For instance, on June 6, 2020, the Garment and Textile Worker Union (GATWU) alleged that Euro Clothing Company II (ECC-2) that produced for H&M and owned by Gokaldas Exports shutdown without the mandatory one-month notice period because it was the only unionised unit of Gokaldas Exports laying off all its 1257 workers (WRC, 2021). According to GATWU this was in violation of the right to freedom of association and a right to collective bargaining and informed H&M's National Monitoring Committee (NMC) about the layoff of all workers without following the due process under law. Further, when the workers began a daily picket at the factory, managers of Gokaldas Exports threatened and intimidated them, forcing them to resign. H&M's contention is that that they merely had a mediator's role and cannot direct its suppliers to retain or operate any facility. However, GATWU argued that in accordance with

H&M's own Code of Conduct and its GFA with IndustriALL, it bore the responsibility for all the workers in its supply chain, and the onus was on H&M to demonstrate respect for union rights. Later, H&M, recognising Gokaldas Exports violations claimed that they would withdraw their orders over an eighteen-month period, but the GATWU opposed this withdrawal as it jeopardised the jobs and livelihoods of workers (Shivanand and Prathibha, 2021).

Wins for labour

Nonetheless, eight months after the workers were first laid off, the company has agreed to re-employ them in a factory 12 kilometres away from the one that was shut down. GATWU signed an agreement with H&M supplier Gokaldas Exports that recognised the union and reinstated all 1,257 whose unit ECC-2 was closed during COVID. Gokaldas Exports also agreed to provide transport to the factories and GATWU was recognised as the sole bargaining agent for three years in any factory where they have more than 20% membership.

With regard to the VDA issue discussed earlier, it was only after a lot of international campaigning that brands were pushed to ask their suppliers to pay the increased VDA. For instance, the Worker Rights Consortium launched a page showing the mounting money owed to workers and called upon brands sourcing garments from Karnataka to ensure their suppliers pay workers' wages in accordance with Indian law (Kulkarni, 2020). Once the biggest supplier agreed, the mid and small size factories fell in place.

> "Despite the court ruling, the company had not made any payments, so we launched an international campaign to compel them to pay. We targeted ___ brand and ___ supplier because they were big players in Karnataka, and along with international media, we created pressure and forced them to agree to make payments in two instalments. Thereafter, all other companies also paid up. We had to work at the local level and target the brands. To achieve this, we utilize international organizations such as WRC, ETI, and FLA, along with campaign organizations like CCC. So, whenever we want, we approach them."

Further, the labour unions also experimented with the new tools of collective bargaining during COVID-19. In Bangalore, the Karnataka Garment Workers Union (KOOGU) proposed that the three main parties in the global supply chain – workers, suppliers and international brands – should work together and agree to take on a fair share in these unprecedented times. On December 23, 2021, KOOGU and Shahi Group in the spirit of good faith agreed to collective

bargaining. The Shahi Group agreed on procedural rules presented by the union, including matters such as the frequency and length of sessions, alternated chairing of sessions, length of each party's interventions, and the recording of meeting minutes and mutual communication. While the union and the supplier initiated the dialogue during the pandemic, the international brands continue to be absent (business-humanrights.org, 2021).

Another case pertains to the mobilisation and mass protest in Dindigul. This protest was triggered by the murder of Jayashree, a Dalit worker who faced oppression and abuse in the factory. Tamil Nadu Textile and Common Labour Union (TTCU), Asia Floor Wage Alliance (AFWA), Global Labor Justice-International Labor Rights Forum (GLJ-ILRF) and H&M – becoming the first brand to sign an agreement to tackle GBVH in Asia's garment industry. A legally binding agreement was reached to eradicate discrimination based on gender, caste, or migration status, promote transparency, and foster a culture of mutual respect in the garment factory environment. The agreements include a binding, three-year commitment by Eastman to establish a comprehensive program for worker training and empowerment, and for effective and impartial investigation and remediation of workers' complaints concerning gender-based violence and harassment and violations of associational rights.

Conclusion

The global garment supply chain, which consists of a complex network of manufacturers, suppliers, retailers and workers located across nations was severely impacted by the pandemic. Indian suppliers experienced the cancellation of orders from their buyers. Further, buyers negotiated discounts or delayed payments. These abrupt cancellations violated the spirit of corporate social responsibility with some questioning the morality of brands. Not surprisingly, capacity utilisation during COVID-19 dropped resulting in substantial revenue losses. Immediate disruptions to the garment supply chain were severe and widespread with far-reaching effects on employment, wage security, and workers' rights.

Given this, we explored how the SME model responded to the COVID pandemic. The main characteristic of the SME model is the capacity of the state to intervene in the economy (Vasileva-Dienes and Schmidt, 2019). The focus of SMEs is clearly on national control of economic development and a close collaboration between state authorities and (major) domestic companies (Nölke et al., 2015) which results in growth alliances that foster

productive investment (May et al., 2019). However, COVID-19 saw the government only providing relief, boosting liquidity and encouraging business continuity in the garment sector. There was no infusion of funds to support the suppliers in the garment GVC. While the state wavered in its financial commitments, it reinforced the preservation of a low-wage regime through the non-enforcement of labour regulations and its own advisories with large scale lay-offs in the garment industry.

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