

Gethu Post

A newsletter from workers on the margins

Voices of Indebted Petty Contractors

GETHU
GROUP



 **PARTNERS IN CHANGE**
Promoting Human Rights in Business

Voices of Indebted Petty Contractors: An Unreached Crucial Part of the Supply Chain

1. INTRODUCTION

Vaanavil research collective conducted a series of dipstick studies since early April to understand the impact of the lockdown on a range of workers – both living conditions and work circumstances. Between 23 and 24 May 2020, the Gethu group members interviewed 12 petty contractors in the garment sector.

2. UNDERSTANDING PETTY CONTRACTING

2.1 Who are Petty Contractors

The petty contractors interviewed facilitate hiring of all-purpose workers, but they take contracts as well and hire co-workers, to get the tasks done. They also tend to distribute a large part of their work with different households, where the work gets organised. *“Most of these petty contractors are also workers; in the sense, they would also be working. It is not that they just earn from contracting”*. That is the main difference between main contractors and petty contractors. *“There are different kinds of task-based sub contract. Some examples are: Labour Contract to large export Units (Interstate/ Inter District), Spinning/ Knitting/ Weaving, Dyeing/Printing/ Compacting, Production- Cutting/Sewing/ Tailoring- Power machine/ Singer Machine, Ironing/ Packing/ Quality checking, Loading/ Transporting to Port”*.

Petty Contractors have been variously understood- from fellow worker who is helping other workers to even moneylender or brokers or traffickers. It is not that petty contractors do not necessarily engage in trafficking, but often they are also victims of having to ensure minimum wages to the workers, including taking care of them when the workers are unwell or meet with occupation related accidents. The entire burden of human rights compliance in the supply chain is often with them. *“The petty contractors often reap their social relationships within their extended family as well as villages to recruit workers who in turn are obligated to work for them.”* This is a kind of forced labour, as workers mostly work under difficult conditions. *“The petty contractors are encouraged by the suppliers and forced to do”*. Incidentally, there are certain petty contractors, who do not do work but only do contracting. The probability of such petty contractors becoming a trafficker is higher than those who also work closely with workers- and often have similar working and living conditions.

2.2 What is the number that we are talking about?

If we take the example of the ready-made garment segment, there are more than two lakh petty contractors just in Tiruppur, Erode and Coimbatore districts. Almost one and a half lakh of them earn an average of less than Rs 25000 per month, after all the expenses are deducted, including bribes payable to the officials. They often earn less than what a supervisor in a mill earns. Similarly, there are thousands of petty contractors in Dindugal as well.

2.3 How many workers are engaged through these petty contractors?

A petty contractor engages between 10 to 1000 workers. There are also chains of petty contractors. *“For example, a petty contractor would hire 15 workers and also hire another petty contractor who will have 25 workers under his mentorship”*. So, about 20 to 30 lakh workers work through petty contractors just in Tiruppur.

2.4 What is the Payment model?

There are diverse ways with which they operate. The industry gets the needed flexibility primarily through petty contractors. How? Different petty contractors (PC) work through different models. *“Some of these are:*

(a) A Petty Contractor takes work on contract basis from the Main contractor. He sets up independent household based unit and hires workers. The unit is often unregistered.

(b) A Petty Contractor’s role is to maintain workers. He deposes workers to different units, and is in charge of maintaining the workers living conditions

(c) A Petty Contractor supplies raw material to hundreds of household units and then receives finished products from them”.

Similarly, PC receives payments through diverse methods. Some of these are:

“(a) Some get from main contractor as final payment or even weekly payments based on finished products.

(b) Some receive payment from main contractors as commissions to maintain workers.

(c) Some receive payments from workers on a monthly or weekly basis for providing them shelter and food including some commission. So often workers pay the petty contractors from their salaries to PC”.

All payments are on a cash basis, mostly without any contract. The entire system works basis trust and the past credibility. The hire and fire system of petty contractors is inherent in the trust system that has developed. They get advance payments based on trust and they trust main contractors and companies fully. “The payment system is also oiled by the non-institutional money lenders, who know when the mill has got the payment from brands and when the main contractors have received payments - all through their informal information sharing system without any aid of any common information portal or apps.”

2.4 Caste, Community and Gender Identities

The textile industry itself is centred on caste-based monopolies. Dominant castes own a lot of mills and often the main contractors are from the same caste. With respect to petty contractors - initially a few decades back, they were also from the same caste/community, but now it is changing. Even earlier, some were dependent on caste-based occupations as well. For example the dyeing, washing etc was often with the “vannaan” community. So often, petty contractors belonged to that caste. Now, other change is the emergence of region-based identity in sub-contractors. For example, an Odiya migrant worker, who has worked in Tamil Nadu for ten years, has become a petty contractor and ensures hundreds of Odiya migrants as workers. The same is true even at the level of workers from certain districts.

Most of the petty contractors are men, primarily because of the assumption that they would be able to negotiate better and “deal” with many problems that as required, to ensure work is smooth. Most of the workers hired by these contractors are women, including supervisors of workers. There are exceptions though.

3. KEY FINDINGS IN THE COVID-19 CONTEXT

3.1 Overall Impact on work

Petty contractors have been affected in multiple ways. Some of the scenarios that have been observed include:

1. Many task remained incomplete, as workers were not able to come to the unit and the fear of transmission forced closure of many units. Generally they get payments on a weekly basis. But these payments have stopped since the first lockdown as work has also stopped.

2. Many household based units have completed their task and petty contractors have been requesting mills to accept these orders. While some have accepted these, they have not made payments yet. Others have not accepted the deliveries because of lack of storage space given that the onward movement of product has stopped. Either way, the payment has stopped.
3. Many government orders are pending deliveries and many have not processed the disbursement of payments
4. Many petty contractors have not received their payments but have still paid some token amount to workers in the first week of April. They have not been able to pay thereafter.
5. Many labour contractors are still managing the stay and food of the workers, despite having not received any payments from workers, who have in turn not received any money from mills/ employers
6. Money lenders who gave loans to them are asking for repayments and these are being repayed from their savings. Many moneylenders have deferred repayments but on an interest basis.
7. Work has completely stopped and so has income
8. Workers are returning to their home districts and states. They face additional challenges of regrouping them. Also, many of the petty contractors themselves have returned to their own district and states.

Overall there is fear, uncertainty and worry about the future.

3.2 Access to Covid entitlements

Petty contractors have been one of the most important channels to support the workers. They have been instrumental in linking workers to PDS and other benefits, including registration into many schemes. Some of them have registered themselves as workers, so they have received some of the benefits as workers or as citizens - which in tangible terms is next to nothing.

The Government has allocated **Rs 3 lakh crore** for providing loan support to MSMEs. None of these 2 lakh petty contractors will benefit from this support. They will not be able to access these loans, as most of them are not registered. Even if they are registered, they have not contracted workers formally. Even benefits linked to EPF are not applicable to most of these workers.

3.3 Labour Reforms?

The Government has exempted companies from many labour laws and these petty contractors are in reality an institutional alternative to these laws. In any case, none of these laws were applicable to these workers, who just in Tiruppur constituted about 50 lakh in numbers and 2 lakhs through petty contractors. So the exemption from labour laws is not really going to benefit the industry since the companies did not follow them.

This will not benefit the petty contractors either. "Earlier, based on these laws, we were able to negotiate better price for ourselves as well as for workers. Now, even that negotiating power has come down."

The only reason that companies are supporting this is "Probably, in long run, they could directly hire workers and pay the same amounts that they are now paying through petty contractors. In that way, they might be able to earn what we earn. To be frank, after deducting all expenses, we earn a little more than a supervisor earns in a mill."

The petty contractors foresee a situation where the piece rate will further fall. Given that most petty contractors are not accessing any contracts and are under the burden of various loans from local moneylenders, they would be willing to agree for any low rates now. Once they agree, workers will be overworked with high production expectations. And workers with no other alternative would be expected to deliver. The burden of the 'absence of income for the industry' will be borne by the petty contractors and those who work under them.

4. RECOMMENDATIONS

Various recommendations from different sources are detailed below:

1. It is time that petty contractors organise themselves to negotiate better for themselves and for workers.
2. There should be a possibility of registration of sub-contractors, so that they could also be entitled to some benefits, including access to loans. However, these petty contractors are allowed and groomed by the industry to exist to outsmart the existing registration system - so a unique way of registration for them needs to be explored.
3. Petty Contractors are actually a good channel to access informal and unorganised workers. It may be good to use that channel to provide benefits to workers.

As of now, most interventions stop at the level of the company and its formal vendors - who are the main contractors. Similarly, trade unions and others intervene at the level of unorganised workers and do not cover the level of petty contractors. Those, who work at the level of petty contractors, are largely from the law and order perspective – namely criminalising them as evaders or as traffickers.

The Gethu group and PiC are exploring the necessity to organise them, and identify whether they would be able to facilitate collective bargaining of workers.

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Gethu is a workers' think tank on the garment supply chain. It is an informal group consisting of workers from across the supply chain from cotton farming to stitching and packaging of garments. The group meets every month to discuss diverse issues faced by workers in this textile supply chain.



Vaanavil Research Collective is a grassroots organisation in Tamil Nadu that promotes rapid community-based studies to inform narratives and policies related to communities at the margin.