Who Foots the Bill for the EU's unfair trade agreements?

How India's homebased workers are being excluded from the EU-India Free Trade Agreement negotiations.

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Europe is negotiating a trade deal with India. A deal that had a strong commitment to improving labour rights and recognised the gendered implications of the deal could benefit workers. However the deal has failed to recognise the role of workers in the informal economy, many of whom are women working in their own homes, or the impact that the FTA could have on them. The EU's primary goal is to maintain and enhance its competitiveness in the global market; India views liberalisation and free trade as the best way to achieve economic growth, development and employment.

This paper gives an overview to the negotiations and summarises some of the key criticisms that have been levelled by civil society organisations. It then analyses the likely impact for homebased workers and calls for recognition of the important role that homebased workers and other informal workers play in the Indian economy and for a deal that recognises the gendered implications of increased liberalisation. Trade negotiations are happening behind closed doors, so only limited information is available to civil society organisations. This inevitably means that this paper can only look hypothetically at the outcomes and raise concerns about apparent lack of inclusion of particular issues and analyses.

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Glossary

EC	European Commission
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
HLTG	High Level Trade Group
HWW	HomeWorkers Worldwide
IMF	International Monetary Fund
SAP	Structural Adjustment Programme
SHG	Self Help Group
WTO	World Trade Organisation

Summary

There are millions of homebased workers in India. Homebased work is work done most often by women in or near their own homes, covering a range of operations from embroidery to assembling car parts. Homebased workers either work on a piece rate, as part of a local, national or international supply chain, or produce and sell their own products. Both categories of homebased worker are impacted by international trade policies.

The EU and India are currently negotiating a Free Trade Agreement (FTA) and are seeking to conclude it by the end of 2011. Both are aiming for increased market liberalisation, in line with their recent economic policies. The EU in particular is seeking to achieve bilaterally what it has not been able to achieve in the stalled World Trade Organisation (WTO) talks: to secure access to new markets and preferential terms of trade, with an offensive interest in services and government procurement.

The EU has tended to view India as an 'equal player' in the negotiations, in part because the latter has seen levels of growth in the past decade that put it on a par with China. However too little attention has been paid in the negotiations to the particularities of India: the country still has a relatively closed economy, and will be required to make much bigger adjustments than the EU in order to achieve the levels of liberalization proposed. India also has the highest number of poor people of any country in the world (792 million) and very high levels of inequality.

A relatively short timeframe of two years, i.e. by the end of 2009, was set for concluding the negotiations. This has slipped due to a number of difficulties: India now wants less liberalization than was originally agreed on, in order to protect sensitive sectors and allow it to retain the policy flexibility to deal with the poverty issues it faces. India is also resisting the EU's attempts to include government procurement in the agreement, something it has been particularly vocal in resisting at the WTO.

The agreement is likely to have significant implications for homebased workers. The current negotiations take no account of any of India's significant number of workers in the informal economy, despite their important contribution to India's economic growth. India's growth to date has had

extremely uneven benefits, and workers in particular have not seen significant improvements in their conditions of work; liberalization has instead served the demand of globalised production for cheap, flexible labour. Homebased workers constitute a significant proportion of the workers in the informal economy in India, and they tend to be the most 'invisible' to employers and government, which in turns means they suffer from some of the worst conditions of work. Without explicit recognition of their rights or provision for protections for them in the FTA, it is most likely that their conditions will deteriorate and they stand to lose hard-won gains they have made in some states, such as access to health insurance.

Homebased workers are likely to be impacted by the lack of gender analysis in the negotiations. Supporters of the FTA argue that women stand to gain from the FTA as there is likely to be an increase in work in sectors where women are most highly concentrated. However, there is evidence that, whilst India's current path of liberalization has led to some job creation, women have tended to find themselves in the lowest-paid jobs, leading to an overall decrease in real wages of women in India. Employers have sought increased flexibility from workers, enabling them to reduce labour costs by externalising them to workers and sidestep responsibility to uphold labour and environmental standards. Homebased workers are often viewed as the most flexible form of labour and therefore bear the brunt of these efforts to cut costs.

Homebased workers will also be significantly affected by impacts on services. India is already struggling to meet its poverty reduction targets and reduced revenue from tariffs will mean less money for essential services like healthcare; the Indian government will also need to make up the shortfall in other ways. In the past they have addressed reductions in revenues from tariffs by increasing VAT, a tax that increases living costs for everybody and makes it difficult for homebased workers to make ends meet.

The EU is seeking liberalization of financial services as one of the key elements of the deal. This could undo hard-won gains achieved by homebased workers, such as access to credit and savings facilities. There is significant evidence to suggest that liberalization leads to higher transaction fees, closure of rural branches and an increased focus on catering services to wealthy clients. Since poor people are considered to be less lucrative clients, foreign multinational banks are averse to providing them with services. Since liberalization tends to favour multinational banks, financial services tend to be concentrated in their hands, leading to a reduction in services for poor communities, including homebased workers. Liberalization would also leave Indian banks more exposed to the kind of shocks that the financial crisis brought in 2007-2008.

A further concern is that homebased workers might suffer from a reduction in food security. Agricultural liberalization tends to promote large-scale, export-oriented farming. Small scale producers are disadvantaged by this as they cannot compete with large agri-business as exporters to the EU, or with imported EU food that has benefited from subsidies. This can lead to higher living costs for homebased workers; many rely on food rations, which will be affected both by increased food prices and reductions in government revenues.

Finally, reduced policy space for the Indian government will make it harder to address poverty issues and support sensitive sectors to cope with the changes in the market. The direction of the FTA appears to take no account of the drivers of the current global economic crisis, which exposes national economies to price volatility and financial market speculation. The current proposal threatens to undermine sustainable development and worsen conditions for homebased workers.

HomeWorkers Worldwide has the following recommendations to ensure that the FTA does not negatively impact on homebased workers:

- There should be better recognition of the important role that informal work and particularly homebased work play in the Indian economy;
- The EU should continue to push for labour rights to be included in the negotiations and for that to encompass the rights of homebased workers, in particular rights to a living wage, social protection, and decent standards of health and safety;
- There should be specific protections for financial services for homebased workers and those living in poverty and in particular protection for women's ability to access credit and savings accounts;

- The FTA should allow the Indian government to retain sufficient policy independence to continue to pursue legislation that protects the rights of homebased workers;
- There should be support for broad-based participation in trade consultations, negotiations and impact monitoring;
- A full gender analysis of the potential impact of the FTA should be undertaken, including the development of a sound, gender disaggregated information base, particularly in trade impact assessments;
- There should be support for gender budget initiatives to ensure that decisions on public expenditure and taxes in response to tariff revenue loss are informed by a sound understanding about the gender implications of fiscal policies.

About this report

In 2007 trade negotiations began between the European Union (EU) and India. The negotiation deadline was originally set as December 2009. The negotiations have been held up by a number of factors, including disagreements over the inclusion of particular areas, such as labour and environment, in the negotiations. At the time of releasing this paper, both sides were claiming a deal could be signed by the end of 2011.

This report focuses on the implications for homebased workers. The report is based on a review of existing, available studies and draws on experience of other existing FTAs, as well as HomeWorkers Worldwide's expertise in homebased work.

Understanding Homebased Work

Homebased work is work done mainly by women, for a cash income, either in their homes or in a yard, garage or field near the home. Millions of women around the world take up this form of employment to earn some money at the same time as taking care of children or other relatives, or doing agricultural work. Homebased workers are usually poorly paid - well below minimum or average earnings. They have to work to live and when they are sick or old, they have no income. Most work to pay basic living costs for their family.

Homebased work ranges from traditional crafts such as weaving or embroidery to industrial work such as assembling electronic circuit boards. It is usually labour-intensive and often done by hand, although some women use sewing machines, soldering irons or presses. The definition of homebased work used by HomeWorkers Worldwide and our partners does not include household or domestic work.

Homebased work is almost always informal, in the sense that it takes place outside formal systems of labour or social regulation. There is rarely a regular supply of work, and homebased workers do not usually have any rights such as to a minimum wage, to social security or a pension. These workers are rarely counted in official statistics or recognised by trade unions.

Estimates of the number of homebased workers in India vary significantly. The National Human Rights Commission of India reports that workers in the informal economy constitute nearly 93% of the total non-agricultural workforce, of which 16% (14.4 million) are homebased workers. However they also note that the National Sample Survey 55th round (1999-2000) reported 28.7 million homebased workers in India and the Self Employed Women's Association estimate that the number could be as high as 50 million (Sha 2006).

Piece-rate and Own Account work

Some women are piece-rate or dependent workers. They produce goods for an employer, even if they only know the agent or intermediary who distributes their work. Others make products which they sell themselves, for example, weaving cloth, making baskets or doing embroidery. These are own-account workers, although they are often dependent on intermediaries for supplies of raw materials, credit or sales, or they may work for orders or individual customers.

It is extremely difficult to identify accurate figures regarding the numbers of homebased workers in export industries as against those working on their own account. However evidence from various projects suggests the numbers are significant: members of the Ethical Trading Initiative have been working on a project since 2006 with homebased workers in UK company supply chains. In Bareilly and district, in North India, the project has so far worked with over 15,000 homebased workers doing embellishment and embroidery (ETI 2011). Read Foundation estimate that there are one hundred thousand homebased workers involved in the production of shoes for export in one industrial area of northern Tamil Nadu (Read Foundation, 2009). Homebased workers have been identified by both groups in export sectors as diverse as coir matting, mobile phone assembly, jewellery and cashew nut processing.

International trade policies and business practices have a significant impact on the conditions and nature of homebased work and homebased workers' livelihoods outcomes, both dependent and own account:

- Export-oriented production and international competition, with their associated downward pressure on prices, can lead to greater demand for homebased work because it is a highly flexible and low-wage form of labour.

- Downward pressure on prices means that homebased workers have to work longer hours, for less money, and corners are cut in areas like health and safety protection.
- Homebased workers are given little support to adapt to changing markets, for example many homebased gem cutters in Southern India are struggling to compete with cheaper Chinese imports; homebased workers producing leaf plates for local food retailers have lost their markets as imported plastic plates have become more widely used.
- Homebased workers often struggle to access basic services, such as banking, and this can be exacerbated by inappropriate market opening.
- Where export is encouraged, homebased workers often see a drop in income or a reduced ability to source products they need; for example women in parts of Tamil Nadu used to process and sell fish locally, however once the fish began to be sold for export as well as local consumption, the women could no longer afford the better quality produce. This left them with the poorer quality, less lucrative product and caused them to lose valuable income (DFID 2003).
- Homebased workers are also impacted by shocks such as hikes in food prices, and rarely have any savings or access to credit to allow them to cope.

What Homebased Workers Want

Homebased workers around the world are campaigning for their rights to decent work, including a living wage, sick and maternity pay, a pension and an end to long working hours. Some have formed their own trade unions, for example HomeNet Turkey, associations, such as Kaloian in Bulgaria, or co-operatives. Key successes have been the adoption of Convention 177 on Home Work by the ILO, now ratified by seven countries, and the recognition by UK companies of the existence of homebased workers in their supply chains.

Background to the Free Trade Agreement

What's driving the negotiations?

Due to the stalling of World Trade Organisation (WTO) talks which would see trade liberalization achieved at the multilateral level, the EU is seeking to open up foreign markets through bilateral free trade agreements (European Commission, 2010). The current free trade agreement (FTA) under negotiation between EU and India is just one example of this strategy in practice. In 2006, the European Commission (EC) – empowered to negotiate on matters of external trade on behalf of the EU – adopted a trade policy captured in its strategy paper 'Global Europe: Competing in the World'. This paper emphasised the need for the EU to maintain its competitiveness by securing access to new markets for its economic operators, particularly services (including banking) and pharmaceuticals. The EU's Directorate-General for trade has reviewed the policy for the period to 2020, this will go to the European Parliament for approval in May 2011; there has been no change from the free market agenda of Global Europe.

The EU favours a market-driven neo-liberal economic model, with a heavy emphasis on minimizing costs and maximizing efficiency, which it aims to achieve through economic liberalisation. Specifically this has involved the deregulation of trade, finance and labour to reduce costs; privatization of public assets and services to maximize efficiency; and reduced public expenditure to stabilise national budgets (Wichterich, 2007). It combines a knowledge-based economy with a highly developed industrial base, and its strengths lie in a skilled workforce and a high level of investment in research and development. Services, including finance, energy, and utilities represent the most fundamental sectors of the EU economy, accounting for 77 per cent of its GDP and employment (EU-India HLTG, 2006).

After gaining independence in 1947, India initially pursued a policy of import substitution-led industrialisation and a mixed economy. Economic liberalisation only began in the 1980s, with the softening of central control. Following a macro-economic crisis in 1991, India's economy was further liberalised as a result of International Monetary Fund (IMF) and World Bank-sponsored macro-economic stabilisation programmes: liberalisation was a condition of financial assistance from these institutions. Reforms implemented at this time included: deregulation and liberalisation of trade, finance and labour; reductions in public spending; partial privatization of health and educational services and easier access for foreign banks to India's markets (Singh, 2009).

Today, India's development is led by promotion of exports, including information and communications services, and manufactured goods (Polaski et al., 2008). India's Foreign Trade Policy 2009-2014, reaffirmed its commitment to a neo-liberal strategy through the promotion of exports and proliferation of Special Economic Zones[1], and emphasised India's commitment to a successful conclusion of the Doha Round of multilateral trade negotiations at the WTO. There appears to be a consensus amongst Indian policy-makers that in order to remain competitive in the global market, India must maintain its role as a major provider of cheap and flexible labour. Therefore deregulation of the labour market is favoured as a means of providing employment, and so promoting development (Wichterich and Menon-Sen, 2009).

Under the Joint Action Plan on Strategic Partnership 2005, a High Level Trade Group (HLTG) was set up to explore the possibility of deepening bilateral trade between the two parties. The HLTG noted in its 2006 report to the EU-India Summit that "the EU and India constitute strategically important markets for each other's economic operators..." (EU-India HLTG, 2006: 2.3). The report argued that trends in economic development between India and EU are essentially complementary, and that therefore both parties would stand to benefit from bilateral trade enhancement (EU-India HLTG, 2006). This report formed the basis of the proposed FTA currently being negotiated between India and the EU.

Under article 24 of the WTO General Agreement on Tariffs and Trade (GATT), a central element of any trade agreement must be that both parties should eliminate 'substantially all tariffs' in trade of goods, both agricultural and manufacturing 'within a reasonable length of time'. The EU has tended to

[1] A Special Economic Zone is a kind of extra-territorial space as regards regulation, tariffs, duties and trade operations, intended to attract Foreign Direct Investment.

interpret this as 90% of tariffs over ten years; the EU-India HLTG agreed to 90% over seven years. The EU wants the FTA to include:

- Fast and deep tariff liberalisation;
- The removal of restrictions on exports in order to facilitate EU industries' access to raw materials;
- New rules on investment as well as competition policy;
- Increased commitments to further open up services;
- New rules on government procurement;
- Stricter enforcement of intellectual property rules;
- Extended rights for third-party stakeholders, including companies, to be consulted in advance of the introduction of new regulations.
- The EU is also seeking 'Most Favoured Nation' status, which means India would have to extend to the EU any terms that they grant in future to other major trading partners.

Services (including for example banking and telecommunications) and government procurement are key sectors for the EU and represent offensive interests for them in most of the bilateral negotiations they are engaged in. India is seeking:

- Better access for its service providers to EU markets;
- To improve market access in key product sectors, especially textiles and clothing exports;
- The removal of some non-tariff barriers to exports of agricultural products to the EU.
- Increased opportunities for inward and outward Foreign Direct Investment.

Progress in the Negotiations

Bilateral negotiations were launched in April 2007 with the hope that the agreement would be concluded before the end of 2009 (Paulus, 2009: 2), but negotiations have run into difficulties on a number of issues. India is now seeking lower levels of liberalization that was first proposed by the HLTG. This is because India would have to bear a much greater burden, and greater impacts compared with the EU: India would have to drop from 17% average tariff levels to zero, whilst the EU would have to drop from only 2% to zero. The Indian government fears that the extent of the liberalisation proposed by the EU will prevent them from retaining the tools and flexibilities to protect farmers, vulnerable industries and future economic development needs.

India wants the EU to relax its stringent food safety requirements, which are seen as constituting Non Tariff Barriers (NTBs), but the EU has yet to give any ground on this issue. Similarly, the EU wants the agreement to include provisions to liberalise India's foreign investment and government procurement, two issues on which India has refused to negotiate in either the bilateral or multilateral context. Indeed India has taken a leading role amongst developing countries to mitigate the risks posed by trade deals between developing and developed countries, insisting in the World Trade Organisation that deals must be driven by development objectives (Traidcraft 2008). The FTA has also encountered resistance from social movements in India, including fishermen/women and labour unions (New Europe, 18th October 2009): around seventy NGOs have raised issues with the FTA.

Key criticisms to date

The multidimensional global crisis, involving food security, finance, energy and climate change calls into question the sustainability of the present path to development, of liberalisation and economic growth, because it depletes resources, and exposes national economies to price volatility and financial market speculation. Due to its reliance on foreign markets, this mode of export-driven growth can be highly unstable, and it has been shown that in the event of a crisis, it is those at the bottom end of the supply chain who are most likely to lose out (Oxfam GB, 2004). Although the report of the High Level Trade Group states the objectives of growth, employment and sustainable development (EU-India HLTG, 2006: 3.1), the proposed FTA contains no actual provisions for securing the latter of these objectives; rather, in many ways its provisions could actually serve to undermine sustainable development objectives in India.

The proposed extent of tariff liberalisation would constitute a reciprocal and symmetrical trade agreement. This ignores the vast difference between the levels of development of the two parties (Actionaid, 2008: 8). Significantly, the agreement is also to include a review clause, with the eventual goal to liberalise the remaining ten per cent of trade; therefore even such sensitive sectors as India is able to protect at this point are to be opened up in the long term (Paulus, 2009: 5). Furthermore, EU is insisting on a standstill clause, which would prevent India from raising tariff levels later on, even in case of need (Traidcraft 2008:15).

Impact on Homebased Workers

The brief overview of India and the EU's strategies given above demonstrates that at the heart of these negotiations is a desire to further business interests through enhanced market access, not just in terms of trade but also services. As business representatives from both EU and India have been increasingly involved in shaping trade rules, civil society organisations are rightly concerned that the proposed FTA will serve to advantage corporate special interests at the expense of workers and without proper involvement of parliamentary representatives of the people (CEO, 2010). It is clear that labour rights, gender equality and sustainable development are at best marginal concerns.

No recognition of India's informal economy: no protection for workers' rights.

There has been little reference to the size and diversity of India's labour force during the negotiations, and little recognition of the key role played by workers in the informal economy, including homebased workers. With no explicit recognition of their rights, or protections, it is likely that their conditions of work will deteriorate.

India has had one of the highest growth rates in the world– the Indian economy grew at an average growth of 8.7% in 2007-08 (Khorana et al, 2008). However the benefits of growth have failed to reach the poorest: India still has the world's largest number of people living below the poverty line[2] (Wichterich and Menon-Sen, 2009: 42), half of all children are malnourished, and inequality has in fact increased since the 1990s (Wichterich, 2007: 7). Employment has not kept pace with overall growth, increasing at a rate of only 2.3 per cent per year.

[2] The World Bank estimates that 41.6 per cent of the population are in poverty, while the Asian Development Bank puts the figure at 54.8 per cent.

Whilst there is evidence that India's growth has led to little or no increase in overall job availability (War On Want, 2009), the emphasis on export-driven, labour-intensive manufacturing and processing has led to an expansion of the informal sector of the labour market (Paulus, 2009). This provides global manufacturing and agriculture with the 'flexible' workforce it needs to serve fluctuations in international demand, and reduces production costs for the employer. Indeed, low labour costs have been a key component in India's strategy to maintain competitiveness in its manufacturing industries. This strategy makes it almost impossible for workers to escape the poverty trap and benefit from growth. Growth has not translated into more secure employment; Traidcraft (2008) report that "for permanent or secure jobs, the rate of increase was close to zero" and War On Want (2009) find that formal employment and real wages have declined as a proportion of overall employment, leading to an increase in working poverty.

The reality behind 'flexibility'

Homebased workers interviewed by HomeWorkers Worldwide in India reported that they rarely know from one week to the next how much work they will get, sometimes they go for weeks without work, making it very hard to plan financially. They also reported that the timing of payment varies greatly – sometimes they are paid weekly, sometimes every two weeks or every month. In contrast, there is no flexibility on the part of the employer: if homebased workers return work even five minutes late, the supplier refuses to pay.

Workers also knew that factory workers got medical insurance and an annual bonus, and that some companies ran health camps for workers. Homebased workers received none of these benefits. This clearly demonstrates how 'flexibility' for homebased workers in fact means bearing more of the costs and receiving less of the benefits compared with other workers.

Much of India's manufacturing, and therefore much of the work going to homebased workers, comes from small units. Traidcraft (2008) estimate that there are currently thirteen million Small and Medium Enterprises (SMEs), employing approximately forty-one million people in India. The Indian government currently offers special support for SMEs, for example by reserving a number of products for exclusive manufacture by them and devising contracts for public procurement in such a way that SMEs are able to bid for them (Ecorys, CUTS International and Centad; 2008). India would lose a significant amount of the policy space that enables it to offer special incentives to particular parts of the economy, and European businesses would have to receive equal treatment to national companies. This is likely to force the Indian government to the phase out incentives and fiscal benefits for small businesses, in turn causing significant upheaval in supply chains and a loss of work for homebased workers (Wichterich and Menon-Sen, 2009).

Trade deals stifle national industry

Lessons can be learnt in from the EU-Mexico FTA regarding the impact on partner economies. The EU claimed that its FTA with Mexico FTA would promote an increase and diversification of Mexican exports to the EU. However a study by Reveles and Rocha demonstrates that the main impact of the FTA was in fact to provide European companies with privileged access to Mexican resources, infrastructure and cheap labour. Since 2000, Mexico's trade deficit with the EU has risen by 79.6 per cent. Mexican goods for export have less and less domestically produced content, meaning that domestic development has been inhibited rather than promoted by export production. Much of Mexico's trade with the EU involves intra-corporate trade – i.e. goods that are imported to Mexico, assembled there, then exported by the same companies to European markets. Reveles and Rocha (2007) conclude that the primary effect of the FTA was to reduce production costs for European companies and to exacerbate the lack of quality, well-paid jobs in Mexico.

Workers' Rights in India's footwear sector

There is a direct relationship between the fluctuations in trade with the EU and homebased workers' working conditions. HWW surveyed 23 women working in the leather footwear industry in India, most were working on products for EU companies. Many of them reported poor conditions, including pain in their shoulders, back and arms, low wages and long hours, up to 14 hours per day; they reported that, if there was an urgent shipment, they were told to work harder.

Workers were paid about five rupees (six pence) per pair of shoes; it takes about twenty minutes to stitch one pair, giving an hourly rate of eighteen pence. Some have tried to negotiate for an increase in payment, but the subcontractors have refused, saying that they are not paid enough themselves and that international orders have been going down.

Pay has not increased in line with inflation; indeed it has remained the same for the past seven years, yet food prices have increased significantly. In 2007 homebased workers paid about 20rs for a kilo of rice, by 2009 that had risen to 30rs, an increase of thirty percent in just two years. Workers reported that they bought about twenty-five kilos of rice per month; this means that more than half their pay is used for rice alone. Many use ration cards to supplement their income with subsidised rice provided by the government.

Liberalization is likely to lead to increased consolidation in manufacturing industries, an increase of between 30% and 50% in European imports and an overall decline in manufacturing in India (Ecorys, 2008). This will have consequences for homebased workers: whilst the relationships with suppliers and intermediaries are already often exploitative, consolidation potentially reduces even further the possibility for homebased workers to find alternative work or negotiate for better conditions.

No reference to the gender impact of the proposed FTA

Trade reforms will have gender differentiated effects because of women's and men's differentiated access to and control over resources and because of their different roles in the market economy and the household. It is therefore vital that the proposed FTA does not exacerbate gender inequalities. This requires an understanding of the gendered characteristics of the economy. Yet gender analysis at all levels of trade policy-making and implementation remains mostly absent (One World Action, 2009). The macro-economic predictions of the impacts of the proposed FTA focus only on the economic growth impacts, ignoring the social impact of liberalisation. They treat labour as a non-produced resource: the work involved in the reproduction and maintenance of the 'human resources' which provide the labour is unpaid, and is therefore not included in macro-economic forecasts. A given amount of labour is simply assumed to exist, and to be easily transferable between different sectors of the economy (Specht, 2009; Sengupta, no date). However, neglect of this reproductive work – the vast majority of which is done by women – is unjustified, as the productive economy could not function without it.

Supporters of the proposed FTA argue that women in fact stand to benefit from liberalisation. The suggestion is that, since adjustment of India's labour market to meet the demands of the global market will mean that its manufacturing sector will expand, more jobs will be created for women. However there is considerable evidence that this is not necessarily the case and that women will not see their livelihoods improve as a result of the FTA.

Women's participation in the labour market has increased in recent years; however they tend to be concentrated in the lowest-paid jobs, and are often recruited on an informal basis, particularly in manufacturing. One of the effects of this has been that an increase in women's employment in manufacturing has actually meant that the real wage of women in India has fallen in recent years (Wichterich and Menon-Sen, 2009). This flexibilization and feminization of employment is favoured as a means of reducing costs to the employer, as it enables them to lower wages, externalise costs to the workers, and sidestep the responsibility to uphold labour and environmental standards.

At the same time, liberalization has already destroyed markets for many products that homebased workers produced previously, for example silk yarn from China undercut yarn from Bihar, northern India. A lot of hand loom textile production has lost markets to machine-made fabrics. In addition to loss of markets, the penetration of imported products like coffee and shampoo leads to an increased demand for cash by rural families, and hence a need for work that pays a cash income.

Furthermore, women homebased workers are viewed as a ‘reserve’ labour force that can be tapped according to export demand. This is exacerbated by the view that their work is not ‘real work’: companies, and sometimes the women themselves, often describe it as a ‘pastime’ that earns them ‘pin money’ and makes it harder for women to argue for their rights. Whilst homebased workers are economically dependent on the person for whom they work, this person feels no responsibility to them because their work is not considered to be ‘real work’ (Government of India Ministry of Labour, 2000: 3). This means that their livelihoods are particularly vulnerable to fluctuations in the world market.

A recent study by WIEGO demonstrates that the transmission to the informal economy of the recession, sparked by the 2008 financial crisis, is hitting poor women hard. Demand for homebased workers’ products has declined; in particular, labour-intensive export products like toys, textiles and garments, footwear, electronics and auto-parts have been severely affected (Dejardin and Owens 2009). Homebased workers participating in the study reported a significantly increased number of women looking for homebased work, contributing to a fall in the price paid for products.

No Measures for Protecting Services.

India’s social commitments are often in conflict with its neoliberal economic policy approach, and many social and development programmes are unfulfilled as a result of this conflict (Social Watch, 2006). Social Watch argue that the Indian government’s stated goal of socially inclusive development is not reflected in its expenditure. Indeed, even before the economic crisis, India was failing to meet its poverty reduction targets and budgetary allocations for programmes to alleviate poverty and promote food security. For example, funding for health services in India in 2008 was about one per cent of GDP, forcing many people to pay for private health care. This often leaves people with severe debt: in some cases people are forced to sell their property. A further example is the government of India’s strategy of adding VAT to household and consumer goods to counteract the problem of reduced revenues (Social Watch, 2006). This is a tax that hits rich and poor alike and can make it even more difficult for homebased workers to afford basic household goods or for exceptional expenditure like a dowry.

It is feared that further liberalisation under the proposed FTA will exacerbate this trend. Since a key feature of the proposed FTA is the commitment to reduce tariffs on substantially all trade in goods and services, this necessarily entails a loss of government revenues that would have been gained from tariff charges. It is estimated that the Indian government stands to lose one third of all tariff revenue as a result of this FTA (Polaski et al., 2008). In the past, the government has responded to this loss in revenue loss by cutting public expenditure and increasing direct and indirect taxation. Spending cuts can also entail introduction of user fees for essential services such as water and sanitation, as well as cuts in food entitlement programmes for the poor (Traidcraft, 2008) – all of which further exacerbate the poverty already experienced by homebased workers.

These kinds of cuts in public expenditure mean the decline of vital public services. This shifts the burden of essential service provision onto the community and household – which, in practice, means that women make up the shortfall by taking on extra (unpaid) work, such as caring for children or relatives (Elson, 1995). Women's time will be even further squeezed due to the informalisation of work and the corresponding decline in real wages, meaning they will have to work longer hours in order to make ends meet. The strain on women's time has implications for the health, education and nutrition of families and communities.

Loss of Financial Services to Poor Communities

The liberalisation of financial services entailed by the proposed FTA may undo many of the hard-won gains achieved by homebased workers. Prior to the 1990s, India's banking sector was largely nationalised; since then, steps towards liberalisation of the sector have already meant higher transaction fees, closure of rural branches, and an increased focus on catering services to wealthy clients– all of which tend to further marginalise the poorer sections of the Indian population, including homebased workers. Both the IMF and the World Bank have recognised that financial liberalisation can reduce access to credit for customers who lack collateral, or who have difficulty in fulfilling formal information requirements – both problems faced by homebased workers (IMF, 2007; World Bank, 2007). Since poor people are considered to be less lucrative clients, foreign multinational banks are averse to providing them with services, showing a bias in favour of affluent customers (Singh, 2009).

Financial Liberalisation and Poor Communities

Agriculture is the major source of livelihood for about two thirds of India's population and many homebased workers combine manufacturing and processing work with work in this sector. It is also a clear example of financial bias towards the wealthy. Agricultural credit has declined from about 16 per cent of total bank credit in the 1970s to 9-11 per cent in the mid-1990s. Commercial banks tend to favour large-scale commercial farmers who can offer collateral. Small farmers and landless agricultural workers are forced to seek credit from informal sources, usually with very exploitative terms and conditions, which leads to severe debt amongst small farmers and agricultural workers (Singh, 2009: 52).

Liberalisation of the banking sector tends to advantage multinational banks over Indian banks, which is likely to lead to concentration of financial services in the hands of firms who do not cater to the needs of India's poor (Singh, 2009: 44-46). For example, in India, foreign banks are exempted from the Differential Rate of Interest scheme, under which loans are offered to people living below the poverty line at lower rates of interest with easy repayment rates and no margins (Singh, 2009: 33). Such concentration may threaten homebased workers' access to affordable credit, which they rely on to cover the costs of inputs and which has often only been made possible through lengthy negotiation with local banks.

Liberalisation of finance was a key feature of the EU-Mexico FTA. Reveles and Rocha (2007) note that, in Mexico, financial liberalisation has led to concentration of the banking sector, as national companies are acquired by European multinational banks. Indeed the four largest banks in the country are now owned by European multinationals. This has created a less competitive financial market in Mexico and Mexican banking commissions are the highest in the international arena. Furthermore it has not increased the efficiency of Mexico's banking sector as promised; rather, European multinationals have taken advantage of the lack of regulation and focused on activities with the highest profit margins, while dramatically reducing lending for production. These findings in Mexico lend support to the view that further financial liberalisation in India would lead to concentration of the banking sector in the hands of companies that do not cater to India's social and development needs, particularly if existing regulation is not sufficiently robust to deal with the changes in the market.

The recent global financial crisis further highlights the need for caution regarding financial integration. Indian banks were relatively insulated from this crisis, due to stronger regulation, more state ownership, and limited exposure to US financial markets, and state-owned banks have been significantly faster to recover than both foreign banks and privately-owned Indian banks. Such insulation would be undermined by further liberalisation of financial services in India (Singh, 2009: 62). Any reduction in good quality sources of credit is likely to have a devastating impact on homebased workers; there is already evidence that as a result of the current financial crisis, women homebased workers are seeking increased credit, often from money lenders (Horn 2010).

Homebased Workers and Access to Finance

HWW have found a clear difference between homebased workers who are members of Self Help Groups (SHGs) and those who are not. Two thirds of homebased workers interviewed by HWW in 2009 were not members of SHGs; they regularly had to pawn jewellery or take a money loan from a pawnbroker in order to make ends meet. Interest rates could be anything from three to twenty percent. None of this group had any savings or alternative source of income, so they were obliged to carry on working as long as they were able. None of them had health insurance and they were unaware of government schemes available to them.

Homebased workers who were members of SHGs told a different story. There are usually between ten and fifteen members in an SHG, and they pay about five rupees per week each, meaning a total monthly deposit of about three hundred rupees. Members are then able to take out loans, which they repay at low interest rates and on favourable terms. Sangeetha, who stitches shoes at home said: “usually our husbands have the bank account, but I’m proud that we women have our own account. It’s normally something that only rich people have. Through the SHG we learnt about banking. After opening the account I learnt about taking a loan, making payments and all that”.

The SHGs and access to credit have also been key to improving working conditions. Some women working as gem cutters, have been able to improve their pay and conditions by cutting out the middle men in the supply chain. They describe how wealthy landowners used to control the contracts and pay extremely low wages; the women formed SHGs and began taking on the contracts themselves. Crucially, this would not have been possible if they had not been able to access affordable credit to buy new equipment, which they did with the support of Read Foundation, an NGO in South India that works to improve homebased workers working conditions.

Homebased Workers and Access to Finance, Continued

Sangeetha makes the link between being recognised as a worker and being able to build up savings and access credit: "The government gives us a ration card, it is like an ID card, we can get a minimum ration of rice and dahl (lentils). We only realised the real value of the card when we went to the bank and they asked us for ID – this was the only thing we had".

Runa, a homebased tailor, remembers how difficult it was for them to get the bank to let them open an account: "We wanted to put our money in the bank but the bank was not prepared to accept our group because there are a lot of rules and regulations. In the end the bank said they would accept if we agreed to keep the account for five years, make regular payments and keep clear records. It took us ten or fifteen visits to persuade them. Now we have a joint account, there are no bank charges and we earn a small amount of interest. We don't keep the money in the account for a long time because it is meant for the members. We give loans for household provisions, weddings, festivals and health costs. Sometimes people need to pay off the pawnbroker or the money lender. We charge two percent interest, the pawn broker charges twenty percent".

SHGs also provide much more than financial services: they provide a forum for the women to discuss economic issues and work together to address community issues, like improving street lighting or awareness-raising about health and hygiene.

Reduced Food Security

Another area of concern is the threat to food security posed by the further of agriculture, which may be included in the final FTA. Agricultural liberalisation tends to promote large-scale, export-oriented farming, which requires expensive inputs, and therefore demands economies of scale. Small-scale producers are disadvantaged by this situation: they cannot compete with large agri-business as exporters to the EU, and the sale of their products domestically is threatened by heavily subsidised EU food imports. In addition to the risk that small-scale producers will be driven out of business, this also constitutes a threat to food security, as natural resources such as land and water are diverted from food production for local consumption, towards export production. This makes farmers dependent on commercial inputs, and also makes them net purchasers of imported food, so that their food security is vulnerable to global market fluctuations (Wichterich and Menon-Sen, 2009: 20).

The current economic crisis is already impacting on homebased workers' ability to ensure they and their families have access to sufficient good quality food. Whilst their incomes are falling, staple food prices have remained high even as world prices have fallen (WFP 2009); many homebased workers already depend on food rations. Growing poverty in the countryside and commercialisation of agriculture leads to increased demand for paid work by rural families, especially women. For example, many homeworkers in Pudukottai, Tamil Nadu, are from dalit landless families who traditionally did agricultural waged work. Reduced demand for agricultural labour has led to a greater demand for homebased work. These trends are likely to be accelerated by the priority given to export sectors under the FTA.

Loss of Policy Space

The proposed FTA is likely to lead to a loss of policy space, which could have a substantial impact on India's ability to promote development and social objectives in the future. Trade instruments such as tariffs can be significant tools for developing countries to address issues such as poverty and food insecurity, for example by protecting sectors against unfair competition from heavily subsidised EU food imports. The inclusion of Non-Tariff Barriers

(NTBs) in the FTA will even further limit the policy space available for India to address its own development concerns, as India will be unable to introduce measures which could be considered a non-tariff barrier to trade (Actionaid, 2008: 1). By targeting NTBs, a free trade agreement can substantially impede the ability of national governments to legislate on a range of non-trade issues, including food security, public health, and public services (Williams and Riley, 2001). This is of particular significance for homebased workers because it may reduce even further the policy space available to them to lobby for improved rights as workers, such as a living wage, sick and maternity pay and better health and safety provision.

Conclusions and Recommendations

HomeWorkers Worldwide believe the proposed FTA will strip away homebased workers' rights and the limited ability to influence policy that they have been able to win through hard struggle. We believe there is significant risk that working conditions will worsen and access to services like banking, energy and utilities will be reduced. Despite the major role played by the informal sector in India's workforce, their needs are not being taken into account in the negotiations.

HomeWorkers Worldwide recommends that workers rights be central to the trade agreement, and that this should take precedence over commercial issues. There needs to be a better analysis of the scale of the impact, particularly on poverty and on poor women and consultation with homebased worker organisations in different states of India.

HomeWorkers Worldwide has the following recommendations to ensure that the FTA does not negatively impact on homebased workers:

- There should be better recognition of the important role that informal work and particularly homebased work play in the Indian economy;
- The EU should continue to push for labour rights to be included in the negotiations and for that to encompass the rights of homebased workers, in particular rights to a living wage, social protection, and decent standards of health and safety;

- There should be specific protections for financial services for homebased workers and those living in poverty and in particular protection for women's ability to access credit and savings accounts;
- The FTA should allow the Indian government to retain sufficient policy independence to continue to pursue legislation that protects the rights of homebased workers;
- There should be support for broad-based participation in trade consultations, negotiations and impact monitoring;
- A full gender analysis of the potential impact of the FTA should be undertaken, including the development of a sound, gender disaggregated information base, particularly in trade impact assessments;
- There should be support for gender budget initiatives to ensure that decisions on public expenditure and taxes in response to tariff revenue loss are informed by a sound understanding about the gender implications of fiscal policies.

Support HomeWorkers Worldwide

Achieving fair and equal treatment for homebased workers is extremely challenging and is a slow process, with small victories often taking several years. HomeWorkers Worldwide work with partners in countries all over the world, from Chile to China, raising awareness of the existence of homebased workers in supply chains: from assembling electronic circuit boards and packing nails, to embroidery and stitching leather shoes. It has become increasingly difficult to access funding for this kind of work. If you wish to support our work, you can contact us in one of the following ways:

Email: info@homeworkersww.org.uk

Website: www.homeworkersww.org.uk

Phone: 00 44 (0)113 217 4037

Address: Office 20, 30-38 Dock Street, Leeds LS10 1JF

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