

Special Package For Employment Generation & Promotion Of Exports In Textile & Apparel Sector

Honourable Prime Minister of India Sh. Narendra Modi has unveiled a package of reforms for generation of 1 crore jobs in the textile and apparel industry over next 3 years. The package includes a slew of measures which are labour friendly and would promote employment generation, economies of scale and boost exports. The steps will lead to a cumulative increase of US\$ 30 bn. in exports and investment of Rs. 74,000 crores over next 3 years.

The majority of new jobs are likely to go to women since the garment industry employs nearly 70% women workforce. Thus, the package would help in social transformation through women empowerment.

Salient features of the package announced are:

A. Employee Provident Fund Scheme Reforms

- Govt. of India shall bear the entire 12% of the employers' contribution of the Employers Provident Fund Scheme for new employees of garment industry for first 3 years who are earning less than Rs. 15,000 per month.
- At present, 8.33% of employer's contribution is already being provided by Government under Pradhan Mantri Rozgar Protsahan Yojana (PMRPY). Ministry of Textiles shall provide additional 3.67% of the employer's contribution amounting to Rs. 1,170 crores over next 3 years.
- EPF shall be made optional for employees earning less than Rs. 15,000 per month
- This shall leave more money in the hands of the workers and also promote employment in the formal sector.

B. Increasing overtime caps

- Overtime hours for workers not to exceed 8 hours per week in line with ILO norms.
- This shall lead to increased earnings for the workers

C. Introduction of fixed term employment

- Looking to the seasonal nature of the industry, fixed term employment shall be introduced for the garment sector
- A fixed term workman will be considered at par with permanent workman in terms of working hours, wages, allowances and other statutory dues.

D. Additional incentives under ATUFS

- The package breaks new ground in moving from input to outcome based incentives by increasing subsidy under Amended-TUFS from 15% to 25% for the garment sector as a boost to employment generation.
- A unique feature of the scheme will be to disburse the subsidy only after the expected jobs are created.

E. Enhanced duty drawback coverage

- In a first of its kind move, a new scheme will be introduced to refund the state levies which were not refunded so far.
- This move is expected to cost the exchequer Rs 5500 crores but will greatly boost the competitiveness of Indian exports in foreign markets.
- Drawback at All Industries Rate to be given for domestic duty paid inputs even when fabrics are imported under Advance Authorization Scheme

F. Enhancing scope of Section 80JJAA of Income Tax Act

- Looking at the seasonal nature of garment industry, the provision of 240 days under Section 80JJAA of Income Tax Act would be relaxed to 150 days for garment industry