The Informality and Precarious Work in Production Chain Capitalism
A Case Study of Automobile Industry in India[1]

Surendra Pratap *and* **Annavajhula J.C. Bose**

Abstract

In production chain capitalism, informality and precarious work are systematically created in and built into the value chains to reduce the cost of production and maximize profits. Using a case study on the automobile industry in India, this paper shows that fluctuations in workforce generally occur more at the lower ends of the value chain, artificially created by buyers at the higher end of the value chains as part of a strategy to minimise the bargaining power of suppliers and put downward pressure on the prices of parts. Therefore, engaging contract workers is part of a bigger strategy of profit maximization that exploits cheap labour not to meet the needs of flexibility. The value chain dynamic itself also creates informality of small enterprises at the lower ends of the value chain, which blocks any upward mobility of these enterprises. Thus, the presence of effective trade union movement at the firm level, in the case of larger firms, and at the industry level, in the case of small enterprises, emerge as the most important factors that can potentially minimise the pains of informality and precarious work.

Introduction

Precarious work has emerged as one of the major labour issues of our time. The new international division of labour and new production systems institutionalized in the phase of corporate-led globalization have been accompanied by new dynamics of employment relations and new kind of vulnerabilities for labour. The new industrial productions systems are structured in such a way that production is shifted and subcontracted at various levels to various low-wage countries, preferably with promising markets, and further subcontracted at various levels within those countries. A significant proportion of labour-intensive operations are subcontracted to informal sector units, at times going all the way down to home-based workers. In modern-day production systems, informal sectors have emerged as an integral part of the profit maximization strategy of capital.

Amid this backdrop, informalisation of workforce is a dominant trend that shifts jobs from the formal to the informal sectors. Holdcroft (2013) sums up this development:

> "The rapid increase in precarious work is being driven both by corporations and governments. Across the world, national labour laws are being amended to better enable employers to create yet more precarious jobs at the expense of stable employment. By continuing to advocate flexibilization of labour markets as the route to economic growth, despite all evidence to the contrary, global institutions such as the World Bank and the International Monetary Fund help create a favourable climate for these reforms. Employers embrace precarious work because it enables them to limit or reduce their permanent work-

1 The authors acknowledge the valuable comments from Dr Tom Barnes on the draft of the manuscript, and wish to thank workers, trade union leaders, and managements for giving their valuable time for interviews.

> force to a minimum in order to maximize profits and flexibility. […] Increasingly, entire workforces are being replaced by workers on precarious employment contracts. In many cases, these are the same workers, made redundant as permanent workers only to be rehired as precarious workers […]"

In India, the automobile industry is one of the most fully integrated into the global value chains. It is one of the manufacturing industries in India that recorded a comparatively higher growth rate in the advent of globalization. It has posted an impressive growth of around 20 per cent per annum since 2000 (Kannan 2014). The industry makes up 22 per cent of the manufacturing GDP[2], 7 percent of India's total GDP, 7-8 percent of total employment (about 13 million people), 4 percent of total exports, 39 percent of total FDI inflows, and 17 percent of total indirect taxes collected (Bhattacharya et al 2014).

The major automobile manufacturing clusters in the country are located in the Pune-Chakan region (Maharashtra), the National Capital Region (NCR) of Delhi, and the Chennai-Bangalore region in the states of Tamil Nadu and Karnataka, and the Udhamsingh Nagar-Haridwar region in the state of Uttarakhand, and the Sanand-Halol region in the state of Gujarat. The auto-component manufacturing clusters are located in Andhra Pradesh (one), Delhi (one), Gujarat (five), Haryana (three), Jharkhand (one), Karnataka (two), Maharashtra (five), Madhya Pradesh(one), Punjab (four) and Tamil Nadu (one).[3]

The study looked at the NCR region of Delhi, particularly in Gurgaon, and in Faridabad in the state of Haryana. It was conducted in 2014 and employed a value chain perspective to

2 Indian-manufacturing profit potential and opportunities across the value chain; http://www.ibef.org/download/Indian-manufacturing-profit-potential-and-opportunities-across-the-value-chain.pdf

3 SMEs in Auto component industry; http://www.dnb.co.in/smes/smes.asp look at the nature and dynamics of informality across the value chain. Two lead firms, four tier-I & II firms, and 7 tier III firms were studied. The methodology mainly involved focused group discussions with workers and trade union leaders organized at the office of trade unions, along with individual interviews with workers (18) in lead firms and tier I & II companies, and individual interviews with workers (14) and managements/owners (7) in tier-III enterprises.

The study attempts to expose the nature of informality and precarious work at various levels of the value chain, including the informality of enterprises at the lowest levels of the value chain. The study also looks at factors aggravating the pains of informality and precarious work across the value chain and the factors with potential to minimise the intensity of informality and precariousness and to act as a force against informality.

Conceptualizing the Informality and Precarious Work in Indian Context

In India, the terms "informal sector" and "unorganized sector" are used interchangeably, defined by the National Commission for Enterprises in Unorganized Sector as follows:

> "The unorganized (informal) sector consists of all unincorporated (not covered under the factories act and the social security legislations like Employees State Insurance Act and Provident Fund Act) private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers" and "Unorganized (Informal) workers consist of those working in the unorganized (informal sector) enterprises or households, excluding regular workers with social security benefits, and the workers in the formal sector with-

out any employment/social security benefits provided by the employers." (NCEUS 2009)

This understanding of the informal sector and informal workers is also consistent with that of ILO and WEIGO. (Chen & Vanek, 2013: 391-392). Precarious work is also defined similarly by ILO:

> "Precarious work is a means for employers to shift risks and responsibilities on to workers. It is work performed in the formal and informal economy and is characterized by variable levels and degrees of objective (legal status) and subjective (feeling) characteristics of uncertainty and insecurity. Although a precarious job can have many faces, it is usually defined by uncertainty as to the duration of employment, multiple possible employers or a disguised or ambiguous employment relationship, a lack of access to social protection and benefits usually associated with employment, low pay, and substantial legal and practical obstacles to joining a trade union and bargaining collectively." (ACTRAV 2011)

In India, the informal sector constitutes about 84 per cent of the workforce and informal workers constitute about 92.3 per cent of the total workforce (NCEUS 2007). However, in itself, this data does not make any sense, on one hand in terms of understanding the reality and, on the other, in terms of thinking of sweeping policy initiatives to transform it.

Agriculture workers (farmers, agriculture labour, fish workers, forest workers, plantation workers etc.) alone constitute 64 percent of informal sector workers (NCEUS 2007). The crisis in the agriculture sector, on one hand, and the jobless growth and informalisation of formal industrial labour, on the other, directly or indirectly affect the dynamics of informalisation and precarious work.

In the so-called informal sector, 36 percent are wage workers and 56 percent are self-employed. In agriculture, the self-employed constitutes as high as 64.2 percent of the workforce, with the rest as casual wage workers. In the non-agriculture informal sector, regular wage workers constitute only about 17 percent, with casual wage workers about 20 percent and the self-employed about 63 percent. In the formal sector (non-agriculture) as well, the regular wage workers constitute only 69 percent and the rest are temporary workers. (NCEUS 2007)

The percentage of non-agricultural workers in the informal sector rose from 32 per cent to 36 per cent between 1999-2000 and 2004-05, and the share of informal sector workers in the non-agriculture sector increased from 68 per cent to 72 per cent during the same period. (NCEUS 2007&2009)

In the informal sector, own-account enterprises constituted 87.4 percent of all enterprises and engaged 73.4 percent of all workers, establishments with 2-5 workers and 6-9 workers formed 10.9 and 1.7 percent of enterprises and engaged 19.4 and 7.2 percent of workforce, respectively. In the total economy, the enterprises with only one worker constituted 64.33 percent of all enterprises and 35.06 percent of all workers, those with 2-9 workers constituted 34.4 percent of enterprises and 51.51 percent of all workers, and those with more than 10 workers constituted 1.27 percent of all enterprises and 13.43 percent of all workers. (NCEUS 2007&2009)

A large proportion of workers in the informal sectors are thus increasingly integrated in the global value chains at its lowest ladders. Product outsourcing from large firms to small firms has been on the rise, so is further subcontracting from the smaller firms to home workers. Almost 50 percent of the female self-employed manufacturing workers are home-based workers. NSSO surveys of informal manufacturing enterprises indicate that the incidence of subcontracting increased from 31 to 32 percent from 2000-01 to 2005-06. In some states, the incidence of subcontracting is far higher, such as 54 per cent in West Bengal, 52 percent in Tamil Nadu, 39 per cent in Karnataka, and 35 percent in Uttar Pradesh. (NCEUS 2007)

The number of medium and small scale enterprises (MSMEs) in the manufacturing and services sectors respectively grew 3.76 and 0.47percent annually from 2001-02 to 2006-07. The employment in these enterprises also increased at an annual growth rate of 9.84 percent for the manufacturing sector and 2.06 percent for the services sector during the same period.[4] This growth is closely linked with the expansion of global value chains and the integration of MSMEs in the value chains.

From 1999-00 to 2004-05 overall employment increased from 396 million to 456 million, with most of increase occurring in the informal sector. In the formal sector, the total increase was only 7.7 million, and all of, upon closer inspection, of informal nature. In the formal non-agriculture sector, about 53.2 percent wage workers are engaged without any formal contract. About 79 percent of workers overall are engaged regularly in regular kind of work without any formal contract. (NCEUS 2007&2009)

Clearly, these reflect the unfolding dynamics of informalisation, in which jobs shift from the formal to the informal sector, while the formal sectors are increasingly informalised.

One of the results of these developments is jobless growth. From 1972-73 to 1983, the country's GDP grew by about 4.7 percent per annum, accompanied with a 2.44 percent growth in employment. From 1983 to 1993-94, GDP grew by about 5 percent, with employment growing by about 2.02 percent. From

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4 Annual Report 2013-14 Government of India Ministry of Micro, Small and Medium Enterprises; http://msme.gov.in/WriteReadData/DocumentFile/ANNUALREPORT-MSME-2013-14P.pdf

1993-94 to 2004-05, GDP growth reached 6.3 percent, but employment declined to 1.84 percent growth. Finally, in 2004-05, when GDP growth rocketed to 9 percent, employment slowed down to a virtual stagnation, at almost zero percent. All the while, the growth in the labour force was consistently pegged at more than 2 percent. (Papola and Sahu 2012)

This implies that a large number of people enter the labour market every year and, unable to find any decent employment, end up compelled to enter the precarious informal sectors as a "reserve army" for labour. The new development dynamics is also leading to the destruction of livelihoods of large numbers of agriculture and forest workers due to large-scale acquisitions of land for industrialization and urbanization purposes (see Kalshian 2007). This is also true for fish workers who suffer because of large-scale industrial fishing (Lahri 1998).

In India, about 77 percent of the population live below Rs 20 per capita per day (2004-05), a poor and vulnerable group to where the 79 percent of informal/unorganized sector workers belongs. Some 66.7 percent of regular wage workers also belong to this group, with only the remaining 33.3 percent belonging in the high-income group (Rs 93pcpd). Also in the vulnerable group are 74.7 percent of the self-employed, mostly marginal farmers, fish workers, forest workers, street vendors, scrap collectors, home based workers. (NCEUS 2007&2009)

We can derive two conclusions from these trends and figures. One, the informal sectors and precarious work did not emerge as the natural outcome of economic development. Instead, "it is the outcome of deliberate policies to use the opportunities of globalization to change the rules of the game. Institutional changes and new technological opportunities went hand in hand to create and impose the new economic model. Global capital mobility, global sourcing and comparatively easy options for relocation meant that the 'successes' of lowering labour costs in one country transferred the structural pressures of the world market onto others" (ACTRAV 2011), "a social scandal of our time" (Marin, 2013: 154). Two, the informal sector is very diverse. Therefore, transforming the life and work of informal sector workers requires diverse specific interventions, and putting all these workers under one category of "informal sector workers" is many times confusing and misleading. The crises of self-employed producers, self-employed service workers, home-based piece rate workers, contract workers in formal sectors, and casual workers in the informal sector enterprises are each different, and thus require a different kind of policy initiatives to resolve. It appears that the common policy initiatives that are advocated for the informal sector workers in general (for example, social security for unorganized sector workers) are geared to mainly help them survive at a bare minimum level of subsistence, thus keeping them in the reserve army of labour. They are not geared to transform their life and work and bring about sustainable livelihoods, ultimately moving them out of the "reserve army."

How Informality is Structured into the Automobile Industry

In the context of other global industries, the automobile global value chain is producer-driven, unlike, say, the garments chain that is buyer-driven. But it is also slightly different from other producer-driven value chains like electronics where even the final assembly operations are outsourced. Due to the specific nature of automobile manufacturing, the main assembling is still done in the assembly plants of the lead firms/brands. Moreover, the value chain of the automobile industry is more organized nationally or regionally in the vicinity of larger markets to reduce the transport costs and also due to political pressures from national governments. The automobile value chain appears more as a network of clusters, but with an inbuilt vertical dimension in the division of labour that is a characteristic feature of global value chains. (Sturgeon et. al. 2008)

A section of component suppliers, particularly those producing bulky, heavy, and model-specific parts, are concentrated close to final assembly plants, and the suppliers of more generic components and parts may be located in various countries largely in the same region. In larger countries with larger markets, a large proportion of suppliers may also be located in the same country in clusters spread in various regions. There are three distinct tiers of suppliers: 1) Lead firms and Original equipment manufacturers (OEMs), 2) I-tier suppliers (mainly assembling the components), and 3) II-tier suppliers (manufacturing/assembling subcomponents), 4).III-tier suppliers (manufacturing the basic parts). These III-tier suppliers are generally the small scale informal sector enterprises. Some specific operations are also outsourced to own-account workers who work in home-based settings. (Pratap 2014a)

It is interesting to note that in the Indian automobile industry, 77 percent of the value addition takes place in formal sector factories, with the remaining 23 percent value addition done in informal sector small manufacturing enterprises (SMEs). (Bhattacharya et al. 2014)

This is a typical structure of the value chain in the automobile manufacturing in India, in which the informal sector is systematically integrated in the value chain as part of profit maximization strategies. We encounter similar conditions in other industries, such as electronics and other electrical and engineering industries, in which a significant part of value addition is done by informal sector enterprises. Therefore, the expansion of the informal sector in these industrial sectors appears as part of a systematically designed strategy to maximise profit.

Interviews with managers/owners of tier-III small-scale enterprises in auto-parts manufacturing cluster at Sanjay colony, Faridabad, revealed how informality is imposed and maintained in the value chain. According to them, the tier I & II companies (lead firms/OEMs that do not work directly with tier-III) generally do not make any long-term formal contracts for supplying parts. In most cases the contract are in the form of monthly purchase orders. Generally, these purchase orders also include a clause that permits discontinuing the orders if the buyer is not satisfied. There are also cases in which orders are arranged orally, with no written agreements. Even in long-term arrangements with particular tier-I & II companies, the relationship is generally not established. The tier-III companies are never guaranteed if orders will be continued for succeeding months.

To reduce the bargaining power of suppliers and to put consistent downward pressure on the prices of parts, the tier I & II companies generally maintain multiple suppliers for most parts, promoting intense competition among them, and causing orders to particular suppliers to keep on fluctuating. In these situations, the tier-III companies are never in a position to invest in improving infrastructure, machineries, and skills. They are also not in a position to engage a certain number of workers on a regular basis, leading to lost skills, which in turn translates to higher rejection rates and losses. The rejection rate was reported at between 1 and 5 percent, with some enterprises reporting losses of up to Rs 15000-20000 per month. Overcrowding of enterprises in the sector had also led to cut-throat competition for supply orders, which tier I & II companies use to consistently put downward pressure on prices of parts. In many cases the prices of parts had not been revised for years, even if the cost of production had gone up. In many instances, buyers defer payments for months, compelling tier-III enterprises to sometimes take money from the informal loan market on very high interest in order to keep productions going. Since this manufacturing cluster is not located in an authorized industrial area, banks generally do not provide the loan facility to these enterprises. Tier I & II buyers are only interested in cutting costs and the wellbeing of enterprises or the workers in tier-III companies are not a priority, be it enhancing skills and improving working conditions in suppliers. The lack of proper infrastructure facilities was also cited as one of the serious problems of the tier-III enterprises. Due to the lack of a stable supply of electricity, these enterprises have to run production by using generators for many hours every day, resulting to huge losses. The bad conditions of roads and traffic also encumber transporting parts to buyer companies.

As a result, there is very little if any space for upward mobility for tier-III enterprises. Consequences include bad working conditions and very low wages. In order to remain competitive in terms of maintaining the lowest possible cost of parts (i.e., insuring maximum possible profits to buyers firms), and also insure sufficient profit for themselves, these enterprises resort to strategies akin to intense exploitation of the workforce, without improving working conditions.

That most tier-III enterprises are unregistered is another dimension in this informality. It should be asked: what does being "unregistered" in this context mean, and why are they unregistered. It is also generally believed that there are no labour laws that govern small-scale enterprises. In reality, the following labour laws apply to small-scale enterprises with less than ten workers:

- Shops and Establishments Acts of state governments
- Workmen's Compensation Act, 1923
- Child Labour (Prohibition & Regulation) Act, 1986
- Bonded Labour System (Abolition) Act 1976
- Equal Remuneration Act, 1976
- The Industrial Disputes Act 1947 (except chapters V-A & B)
- Minimum Wages Act, 1948

- Trade Union Act, 1926
- Labour Laws (Exemption from Furnishing Returns and Monitoring Registers) Act

Considering the small scale of operations, these enterprises are supposed to be covered by the above labour laws., However, two major omissions in their implementation reveal how the state systematically and consciously sacrifice the wellbeing of workers: a) not covering them under ESI Act, which compromises their health; and b) not covering them under EPF Act, which compromises their old age security.

It does not end here. It is false that there are no labour laws to govern these enterprises and regulate working conditions. The Shops and Establishments Act provides for general minimum standards of working conditions, including provisions for health and safety. The other laws above also provide for relevant labour rights.

The problem is the state's systematic and conscious refusal to enforce these labour standards in these enterprises. The labour inspection machinery is weak, and MSMEs and their associations complained of harassment and "rent-seeking." However, such acts continue also because the enterprises themselves prefer to pay "rent" instead of comply with labour laws. "Since compliance is seen to be more costly, rent seeking prevails" (Kannan 2014). Rather than strengthen inspection machinery and effectively address the root problems of corruption, the state's focus is ending the 'inspector raj'. Most state governments allow self-certification under labour laws, exempting these enterprises from furnishing returns under a number of labour laws. The Labour Law (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988 requires them to submit only a core return and maintain only three registers. With these initiatives, the practice of inspection to enforce labour standards no longer exists. (Kannan 2014)

Regarding registration, almost all tier-III enterprises interviewed reported that they need to register for either sales or service tax in order to qualify for purchase orders from buyer companies. This means they have to file returns annually. For sales tax registration, they have to also maintain an employee register. There may be cases of default and corruption in these cases, but the government's sales tax department organizes inspections and attempts to enforce it, resulting to the collection of significant amount of tax.

In reality, almost all the enterprises interviewed were not registered under shops and establishments, department of industries, or the companies act. Most of the enterprises exist either as proprietary firms or partnership firms. To register for sales tax, they only need to prepare a deed with objectives, bylaws, and some details of business to be undertaken. It is not compulsory for the enterprise to be registered under the companies act or with the department of MSMEs.

The Punjab Shops and Commercial Establishments Act, 1958 (applicable in state of Haryana, as it was earlier part of the same state) provides for mandatory registration of establishments. But none of the tier-III enterprises interviewed reported registration under this act. Some tier-III enterprises in Sanjay colony that engaged 20-40 workers and ran with electricity, therefore falling under the factories act. On paper, however, they indicated less than 10 workers. Most of them reported no labour department official visits, some commenting that "they come, take some money, and go."

The laws related to taxation are comparatively better enforced compared to those related to labour rights. Therefore, more than corruption, the more important factor appears to be the state's conscious and systematic denial to enforce labour standards. Worse, this system does not benefit the growth of small scale enterprises. Because of the value chain dynamics, all gains are ultimately transferred to the lead firms/brands and, to some extent, to Tier I & II tier buyers.

Another form of informality relates to employer-employee relations.

There were significant variations in employment practices at various levels of the value chain. In the lead firms and tier-I & II factories, a large majority of workers are engaged through labour contractors. In the study's sample of lead firms, contract workers formed more than 65 percent of the workforce, with about 4 percent comprising of casual workers directly engaged by the companies and DTEs (Diploma Trainee Engineers) making up about 2-3 percent. All in all, the temporary workforce represents about 72 percent of the total. Migrant workers also formed 60-70 percent of the workforce, most of them representing temporary categories of workers, especially contract workers. In tier I & II factories, the proportion of contract workers ranged from 70 to 90 percent, depending on the nature of operations. For example, in a tier-II factory where production operations involve only plastic moulding, the contract workers form more than 90 percent of the workforce. In a tier I company where the production operations involve intensive engineering operations, contract workers make up less than 70 percent of the workforce. The compulsion of retaining skills is therefore a primary factor.

In tier I & II factories, contract workers are typically engaged through multiple contractors, and contract workers are shuffled from the roll of one contractor to the other after every 6-7 months. Under this practice, they are always legally considered as new workers, and thus ineligible for legal benefits associated with the completion of certain period of service.

In reality, trade unions report that majority of contract workers (80-90 percent) in lead firms and a significant proportion of them in tier I & II factories (50-70 percent) have worked in the same companies for 3-5 years. According to them, there is generally no fluctuation in size of the workforce in lead firms unless there is a serious downturn in the industry, and no such downturn has taken place in the last 10 years. The dominant practice is engaging a highly downsized work force, and increasing and decreasing overtime work to deal with the normal fluctuations in demand. A small number of contract workers are hired and fired frequently, but on the whole the total number of workers remains the same.

In tier I & II companies, a similar system is practiced, but with some differences. There are generally formal annual and continuing agreements between lead firms and their tier I & II suppliers, which keep fluctuations to a minimum. Even so, the fluctuations in tier I & II are still a little more than that those in the lead firms. According to trade unions, lead firms engage single suppliers for some components and multiple ones for others. This is meant to reduce the bargaining power of suppliers and to maintain a consistent downward pressure on prices of components. To some extent, the orders of specific suppliers do keep on fluctuating, which has implications in the fluctuations in the workforce. But in case of single suppliers the orders are more or less stable, so there should be no similar fluctuations.

Clearly, then, the practice of engaging contract workers is not to cope with fluctuations in the market but to save on costs and in turn maximize profits. Some 80-90 percent of the contract workers in lead firms and 50-70 percent in tier-I & II companies constitute the stable workforce in these companies. For tier-I & II companies, the fluctuations are more due to the lead firms' dominant practice of engaging multiple suppliers and artificially creating fluctuations in purchase orders. As a result, cost of the labour is reduced drastically by engaging a larger proportion of contract workers (to be discussed in detail in the next section).

The conditions take a slightly different shape in tier-III enterprises, where the production operations are completely run by informal workers. But since engaging contract workers is too costly for smaller enterprises, they instead engage workers directly, and almost all of them become casual workers. The fluctuations in workforce in tier-III enterprises are very high. According to managers/owners of the tier III enterprises, the competition among tier-III enterprises to get purchase orders from tier-I & II buyers is cutthroat. Buyers also use a strategy of engaging many suppliers for specific parts and creating intense competition among tier-III enterprises to put downward pressure or prices. The drastic fluctuation also has implications on the workforce. Again, these fluctuations are not due to any fluctuations in the market but buyers to maximize their profits artificially create it. The whole dynamics creates a kind of permanent and absolute informality and vulnerability of workforce in tier-III enterprises.

In tier three enterprises, almost 100 percent of the workers are migrants, including women. According to workers and owners/managers, engaging women workers is a recent trend, although their proportion in the workforce remains to be small. Various kinds of employment relations exist in these enterprises, with majority working on monthly rate and daily rate wages, but some on a per piece basis. There were also cases of the same enterprise with one section of workers manufacturing for one supplier employed on a piece rate basis while the other sections work under a time rate, or daily or monthly wages.

How the Informality Creates Precariousness

In the lead firms and tier-I & II companies, contract workers form the majority of workforce and most of them do the same work as permanent workers, but they are denied equal wages.

In one lead firm, total wages of permanent workers were generally between Rs 25000 to 40000 per month and in another, between Rs 30000 to 45000 per month depending on seniority. On the other hand, the wages of contract workers were only about Rs.10000-12000 per month in one lead firm and about

Rs 18000 per month in another. Moreover, the structure of wages in lead firms for almost all categories of workers has two components: a fixed one and a variable one. The fixed component is the wage that they compulsorily get for eight hours of work. The variable component forms 50 percent or more of the total wages and it includes various types of incentives and allowances linked to attendance and performance. The fixed component for permanent workers ranges from Rs 10000 to Rs 14-15000 per month depending on seniority. For contract workers this fixed component is only equal to minimum wages, and since there are no wage increment policies for contract workers, the minimum wages actually become the maximum fixed component of wages. Generally, no worker can get all variable components of wages as this is linked with attendance and performance. For permanent workers, a one-day leave in a month results in a deduction of Rs 1500-2000 from the variable component, and more than five days off in a month may result in the total loss of the variable component, regardless of whether the worker has accumulated casual leave, sick leave or paid leaves. This also applies to other categories of workers. For trainees, a one-day leave in a month translates to a Rs.800-1000 loss from their variable wages, while two days may result in the total loss of variable wages for contract workers and apprentices.

In tier-I & II companies, the total wages of permanent workers varied from Rs 12000 to 28000 per month depending on seniority. The wages also varied in various firms depending on the size of factories and the presence of trade unions and collective bargaining. In some of the larger tier I & II companies, the similar system of fixed and variable component of wages are introduced, as in the case of lead firms. However, contract workers are generally not included in the system. They generally received only the statutory rate of minimum wages for the different skill categories. The minimum wages for skilled category of workers was about Rs 6067 per month in the relevant period.[5] The DTEs, wherever engaged were paid a fixed amount of about Rs 7000 per month.

The overtime work of 2-4 hours daily was found to be regular practice across the value chain of the automobile industry. According to contract workers in tier-I & II companies and lead firms, their wages are so low that it is hard to survive without overtime. In case of workers in single-income households, their normal wages are not sufficient to meet the expenses of the family. In case of workers living alone, the normal wages are not enough to enable to them to send money back home. As a result, they consider the overtime work necessary for survival of their families. Contract workers also face serious discrimination in compensation for overtime work. All contract workers interviewed including those in lead firms and in tier-I & II enterprises said they were denied premium rates for overtime, or double the rate of hourly wages, which the permanent workers in the same set were not.

There were some differences in the working conditions of contract workers, depending on factory size and the presence of trade unions. Lead firms and half of the tier-I & II companies covered were unionized. The other half in the sample were not unionized and also relatively smaller in size. The contract workers in all the unionized factories are generally covered under social security schemes and getting benefits, such as from Employees State Insurance (ESI) and a Provident Fund (PF). This is not true in the case of contract workers in non-unionized factories. They also reportednot possessing any proof of employment in the form of employment letter, I-card, or wage slip. This makes their conditions highly vulnerable. Because they lack such proof, they

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5 The statutory minimum wages that applied in relevant period was Rs 5547 for unskilled, Rs 5807 for semiskilled, Rs 6067 for skilled and Rs 6197 for highly skilled. (**Minimum Wages in Haryana** w.e.f. 01-01-2014; http://www.labourlawreporter.com/wp-content/uploads/2014/03/MW_Haryana_Jan-2014_June-2014.pdf) are unable to file a complaint in the labour department for, say, unpaid dues.

Trade unions confirmed this reality. Imperial Auto Employees Union, Faridabad and Escorts Employees Union (Yamaha unit), Faridabad reported that some contractors in their companies were not depositing the workers' ESI and PF contributions, and only did so after the unions raised this issue and compelled the management to intervene. These unions along with QT Talbros Workers Union, Gurgaon reported that they actively engage with management to insure statutory wages and social security benefits to contract workers.

According to the HMSI Employees Union, Manesar, Gurgaon and Escorts Employees Union (Yamaha unit), Faridabad, unions are generally present in all lead firms. This compels the companies' managements to actively look into the issues of contract workers and ensures similar working conditions for them. As a result, workloads are same for them and regular workers. The same facilities and amenities are also provided, such as drinking water, toilet, and canteen facilities, as well as uniforms, safety equipment, transport facilities, and benefits like ESI, PF, annual bonus, paid weekly off, and other paid leaves. Still, the wages of contract workers remain to be far below the regular workers'.

Conditions varied in tier I & II companies, depending still on the factory size and the presence of a union. For example, in one unionized factory, unlike regular workers, the contract workers get only the shirt and not the full dress, and subsidies to contract workers for transport and canteen are less than what the regular workers receive. In another unionized factory, benefits are more or less same for both contract and regular workers. In one non-unionized factory, transport and canteen subsidy are denied to both contract and regular workers. In another, transport and canteen allowance are provided only to regular workers, although safety equipment and workplace facilities like drinking water, toilets, among others, were the same. The nature of work, workload, working hours, and overtime hours were also the same for both contract and regular workers.

The presence or absence of unions in workplaces also influences the nature of informality and the level of precariousness among the workforce. The presence of unions in the factory creates some kind of positive dynamics for the contract workers, mainly by means of forcing certain level of compliance of labour laws. This is probably one of the important reasons behind a prominent unity between permanent and contract workers in the recent wave of automobile workers struggles from 2005 onwards. It seems that as an impact of long struggles of workers in the Gurgaon-Manesar region and the recent struggles of the Maruti Suzuki workers, a new dynamics seems to have emerged in which employers are increasingly compelled to accept and include the issues of contract workers in collective bargaining agreements. This means accepting that unions can formally represent contract workers, and may also form a strong ground for formally including contract workers as members in the same unions.

In 2013, HMSI Employees Union, Manesar demanded to regularize 200 contract workers annually, along with basic pay increments of Rs 15,000 for permanent workers, Rs 10,000 for contract workers and Rs 4,000 for apprentices. HMSI employs nearly 68 per cent of its workforce as contract workers. Before the 2013 wage agreement, permanent workers were getting between Rs 25,000 and Rs 30,000 a month (inclusive of fix and variable components) while contract workers were getting Rs 8,000-10,000 (inclusive of fix and variable components), depending on skill and experience.[6] According to the HMSI employees union, in the 2013 wage agreement, the management also accepted

6 Interest-free loans, free housing, fat pay hikes. . . Honda staff want them all; http://www.rediff.com/money/report/interest-free-loans-free-housing-fat-pay-hikes-honda-staff-want-them-all/20120903.htm the demand for a policy to regularize the contract workers, in addition to a wage increment policy for them, which provided for an annual increment of Rs 500 in monthly wages. For the year 2013, a special increment of Rs 2500 was implemented in their monthly wages. According to the regularization policy, 50 contract workers will be made casual workers every year based on seniority, and after another two years casual workers may be made trainees and finally regularized after one year. It is a lengthy process, and it may not have any great immediate impact, but its importance lies in the fact that management has finally accepted the demand for regularization of contract workers, and this will form the basis for further struggles to make this process more effective and more meaningful.

Escorts Employees Union (Yamaha unit), Faridabad reported that the management accepted the demand of the union to include the issue of wage increment of contract workers in the collective bargaining agreement in 2013. The wage agreement that year provided for an annual increment of Rs 45 in daily wages of all contract workers, or about Rs 1170 in monthly wages.

The same happened with QT Talbros Workers Union, Gurgaon, with an agreed upon annual increment of Rs 300 in monthly wages for contract workers who have been working in the company for at least three years.

However, these concessions are not present in all unionized factories. At most it can be described as an emerging trend. For Imperial Auto Employees Union, Faridabad, the company's management was not willing to accept the union's authority to raise the issues of contract workers, including potential increments in their minimum wages and compliance to labour laws, such as guaranteeing the benefits of ESI and PF.

In tier-III enterprises, the precarious conditions of work are quite naked. The workshops are generally 50-60 Sqm in area with no proper lighting and ventilation. In most cases, there are only ceiling fans, only few had coolers, and none had air-conditioning units, . The lack of safety standards is glaring. Hot metal forging are done by hand without any safety equipment, while workers our molten steel into moulds, also by hand, in largely dark and unventilated workshops.

The workers are largely migrants from Uttar Pradesh, Bihar and West Bengal. Almost 100 percent of them are engaged as casual workers, with hardly anyone formally on the rolls of enterprises; almost none had any kind of proof of employment. Legally, they are almost totally disempowered to demand for their labour rights or complain to the labour department in case of violations. They do not have any job security; they are hired and fired easily and smoothly without having to follow any legal procedure. Social security schemes like ESI and PF are not applicable in their cases, and so they do not have any health insurance or old age insurance. There are also no worker reported enrolment in the National Pension Scheme and Aam Admi Bima Yojana (health insurance schemes) designed for informal sector workers. Their wages were generally less than statutory minimum wages, with total earnings including overtime at Rs5500-7000 for helpers and Rs7000-10000 for operators, depending on the availability of overtime work. The wages of women operators are slightly even less than their male counterparts. Total earnings of women operators matched the total earnings of helpers, due to two-hour restrictions on overtime work for the latter compared to the usual four hours. The total daily earnings of piece rate workers are generally higher than time rate workers', although their total monthly earnings were not much higher due to fluctuations in the availability of work. Most are 19 to 48 years old, as anyone beyond 55 cannot be expected to meet the strength and stamina demanded in the line of work. Hence, once workers reach that age, they either go back home or engage themselves in some other odd jobs for survival.

Contract workers in lead firms and tier-I & II companies and casual workers in tier-III enterprises face different degrees of precarious working conditions, mostly due to different degrees of informality in employment relations. Similarly, they face different degrees of precarious conditions in their life as citizens as well. "Wherever precarious labour is used and abused, social rights take a back seat" (Marin, 2013).

Informal workers across the automobile value chains are compelled by financial necessity to elive in dire social conditions, without enjoying basic necessities like decent accommodation, proper education for the children, access to proper health facilities, and old age insurance, among others. However, the degree of precariousness is different for different categories of workers. The contract workers working in lead firms and tire-I & II enterprises generally live in rented accommodations in so-called villages in nearby areas. IN these cases, the agricultural land of the villages is acquired for industrialization, and villagers were paid compensation for their land. Many of them have built large number of rooms for accommodating workers and get significant earnings from rent paid by workers. Some of those contract workers working in unionized larger enterprises, getting above minimum wages and relatively better total earnings are able to afford living in a separate one-room accommodation, with attached toilet, bathroom, and kitchen facilities. Other contract workers live in really miserable conditions, specifically residential complexes with a number of rooms with no similar facilities. About 10-15 workers have to share one of the four to five common toilets and bathrooms, while 3-4 workers share one room. Rent is about Rs 2000-2500 and increases every year. A separate room with attached toilet, bathroom, and proper kitchen costs Rs 4000-5000 a month to rent. The living conditions of tier-III casual workers are even worse. They live in slum-like conditions, in small and unventilated rooms overcrowded with workers and unhealthy surroundings, with no facilities like toilets, bathrooms, and for drinking water etc. Under such conditions, it becomes hectic and tiring to get ready for work in the morning and reach the factory in time, especially since they almost regularly do overtime work of two to four hours. They need to queue for a long time to use the toilet and the bathroom while preparing breakfast before starting for the factory.

According to managers/owners of informal enterprises in tier-III, they generally encounter labour shortages during either agriculture harvest or festive seasons, during which workers go back to their homes and don't return until, in some case, after more than a month. The rural employment guarantee scheme also offers jobs for 100 days a year, another factor that creates a seasonal labour shortage. Many tier-I & II factories face the same problem. Trade unions in tier-I & II also confirmed that when contract workers go back to their homes, they generally stay for a long time. However, they attribute this to other reasons.

They also posed a question: why does this problem not arise in the case of permanent workers? The real problem then is the lack of job security. Contract workers are discontinued every six months and so do not get the benefits of experience and seniority. They know well that they may not be engaged in the industry after they turn 50. They thus assume that they have to ultimately go back to their hometowns, where they at least own a house and some piece of agriculture land or space for other traditional occupations. In these situations, they do not feel that they belong to the industry and are only engaged there for some time to support their families. Ultimately, they know that they have to go back.

As for the national rural employment guarantee scheme is concerned, the workers said they never did such work and were not interested. The scheme also limits the engagement to only one member of a household and a family member can stay back home to fulfil it. Trade unions also reported that workers generally like to bring their families with them, something that the conditions generally do not permit. There is, however, an emerging trend among a new generation of workers, especially those with relatively better total earnings, who bring their families with them. This was also found in tier-III, where the earnings are low and compensated by the workers' wives who are also engaged in some kind of precarious wage work.

Conclusions

Informality translates to precarious work. It is systematically created and structured to reduce the cost of production and maximize profits. While the nature and intensity of the informality varies at various levels of the automobile value chain, the major gains always accrue to the larger enterprises at the top of the value chains.

In case of tier III enterprises, the informality is multidimensional. The enterprises are very small, and they lack proper infrastructural facilities and skills. Most importantly, they are locked at the lowest end of the value chain by the value chain dynamics itself. Factors that block the upward mobility of these enterprises include intense competition among tier-III suppliers created by buyer companies to to keep the prices of parts down, making prices impervious to rise in production costs, and long delays in payments. As a result, these enterprises are unable to invest in infrastructure and skill development, leading to stagnation in the value chain. It thus becomes a vicious cycle. Without transforming this dynamics in favour of tier-III enterprises, this limits the possibility of improving working conditions for workers in any great way.

But as these enterprises remain to be in business, it means that they are not running at a loss. They are in a position to bear the cost of minimum wages and other minimum labour standards, both of which they openly violate. The state and buyers overlook this injustice on workers to justify their own injustices on these enterprises. The whole game ultimately benefits the larger firms at higher levels of value chain and, consequently, lead firms/brands. There is no law to compel buyers to make long-term formal contracts with tier-III suppliers and to periodically revise the prices of parts. There is no law to compel buyers to determine the prices of parts by transparently allocating amounts for various cost components including the cost of labour (wages, decent working conditions and social security) along with profits. Structurally, the collective bargaining power of labour is minimal at the enterprise level.

Industry level unionism and collective bargaining appear to be an effective option in such cases. However, for any great transformation in working conditions, there may also be a need to fight the routine injustice done by buyer firms and the state to the enterprises. There is no visible initiative yet to industry-level unionism and collective bargaining in small and medium enterprises in the automobile sector. However, the scope and effectiveness of this strategy is clearly visible in some other sectors, such as in the case of 2,500 workers from more than 150 textile factories (power looms) in Ludhina (Pumjab), who went on strike in 2011 demanding a 25-percent wage hike and implementation of labour laws[7]; or in the tea workers from more than 200 tea gardens in West Bengal who went on strike in 2012 demanding a daily wage of Rs 250 (USD 5)[8]; and in the 500 workers of more than 25 hot-rolling steel factories in Delhi who went on strike in 2014 to demand the implementation of minimum labour

7 Amritpal 2014. A Report on Ludhiana textile workers strike and the owners' propaganda; http://sanhati.com/articles/4246/

8 ITUC 2012. Annual Survey of Violations of Trade Union Rights, ITUC; http://survey.ituc-csi.org/India.html?lang=en standards and minimum wages[9]. These strikes lasted between more than a week and more than a month, and some of them achieved partial successes. The major aspect of the organizing and collective bargaining strategy in these cases was based on forming a coalition of unions and other labour organizations working in a particular geographical cluster of a particular industrial sector, issuing a collective call for a simultaneous strike, and pressurizing the government to intervene and force the industrial associations to accept the demands of workers. It is interesting to note that any such industry-level unionism and collective bargaining in auto-parts manufacturing clusters of small and medium enterprises may have a stronger impact as it may directly impact the whole automobile value chain.

In case of contract workers in lead firms and tier-I & II enterprises, ambiguities in labour laws and large-scale violation of labour standards are the major factors behind the increasing pains of informality and precarious work. 70-80 percent of the contract labour force in various factories are more or less stable, and fluctuations in labour force to whatever extent exist in certain tier-I & II factories, artificially created by lead firms by engaging multiple suppliers to minimise the bargaining power of suppliers. In such situations, the organized labour movement based on unity between permanent and contract workers emerges as the most important factor to guarantee some kind of job security and compliance with other labour standards for contract workers. This can potentially reduce the pains of informality and precarious work and even force employers to regularise informal workers to certain levels. It is probably in this light that we can understand the emergence of a wave of struggles in the automobile industry starting in 2005, mainly on the issue of right to association and

9 Wazirpur hot-rolling steel plant workers call off strike, The Hindu April 18, 2013; http://www.thehindu.com/todays-paper/tp-national/tp-newdelhi/wazirpur-hotrolling-steel-plant-workers-call-off-strike/article4628854.ece collective bargaining. These struggles emerged in all the automobile manufacturing clusters across the country, including the Honda workers struggle of 2005, the Hyundai workers struggle of 2007-11, the MRF workers struggle of 2006-09, the Graziano workers struggle of 2007-08, the General Motor workers struggle of 2011, the Ford workers struggle of 2011, the Bajaj Auto workers struggle of 2013, and the Maruti Suzuki workers struggle that has been ongoing since 2011. In almost all these struggles the major issue was either the formation or recognition of trade unions for the purpose of collective bargaining. In almost all cases they faced heavy repression and victimization that further radicalized their struggles. In almost all these struggles permanent and contract workers came together, with varying level of unity in different struggles. The Maruti-Suzuki struggle took this wave of struggle to a qualitatively higher levels, in which the union clearly demanded the abolition of contract labour system and the second occupation of the factory was done only on the issue of reinstatement of contract workers. (Pratap 2014b, JCB and Pratap 2012 and PUDR 2013)

The last factor in the ongoing formalization debate is the broad similarities in the general approach of various institutions, such as governments, the ILO and WEIGO. While the informal sector faces different natures of informality and vulnerabilities (ILO 2015 and Chen and Vanek 2013), policy initiatives proposed[10] by, say, ILO and WEIGO, appear to completely ignore or be very vague on these realities, specifically on two crucial aspects: a) informality created and imposed by new development dynamics and new structure of trade relations, and

10 Creating more formal jobs, regulating informal enterprises and informal jobs through regulations and incentives, social protection (health, pensions, and disability) and legal protection (property rights, commercial rights, and labor rights) to informal workforce, increasing productivity of informal enterprises, financial credits, skill development etc. (ILO 2015 and Chen and Vanek 2013)

b) informality created and imposed by new production systems and new labour-capital relations.

These initiatives do not clearly challenge the root cause of the crisis of informal economies. Moreover, the policy initiatives are more focused on outside support factors, or imposing formalization from the outside, instead of changing the inner dynamics to empower workers and small economies to move out of informality. This is contrary to the experience of, for instance, the automobile value chain, where it was the force of labour movement, and no other factor, that reduced the pains of informality and precarious work for contract workers. There are examples from other sectors as well. In May 2010 the victory of the long struggle of the Milk Food Factory Workers Union at the Horlicks factory in Nabha, India, owned by GlaxoSmithKline (GSK) resulted in the regularization of 452 temporary workers (Rossman 2013). If labour movement is weak, the labour laws themselves lose their meaning, and when the labour movement is strong, it may compel the companies to comply with labour standards and beyond. Empowering small economies may require major policy changes to transform the dynamics of trade relations in favour of small economies, such as reserving some sectors and markets for small economies, effectively controlling rising input costs in the case of subsistence economies, and regulating trade relations between lead firms and the enterprises at lower end of the value chain. In the case of industrial value chains, this includes possibly mandating formal long-term supply contracts and clear criteria for determining and revising the prices of intermediary products. However, in current situations when the state is largely acting in collusion with corporate capital, it is unlikely to take such initiative. Moreover, even if such policies are made, in absence of strong workers organizations, they may not bring any great real change. Only if workers in tier-III enterprises are organized at industry level will they be able to compel the lead firms/brands to comply with its responsibilities regarding working conditions and labour standards. This may also form the basis of broader solidarities between workers at the lower and higher levels of the value chain.

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About the authors

Annavajhula J.C. Bose is an Associate Professor at the Department of Economics of Shri Ram College of Commerce, University of Delhi, India. He has done research on subcontracting as a specific form of industrial organisation in production chain capitalism and on labour relations in the automobile industry. Email: bose.ajc@gmail.com

Surendra Pratap is the director of the Center for Workers Education (CWE), an organization that provides research, education, and training for the working class movement in India. His recent publications include *Emerging Trends in Factory Asia: International Capital Mobility, Global Value Chains, and the Labour Movement* (2014). He has an MA in Economics from Dr. B. R. Ambedkar University in Agra, India; a Bachelor of Laws from Lucknow University; a Master of Science (Environmental Sciences) degree from GB Pant University of Agriculture and Technology in Pantnagar; and a Bachelor of Science from Kumaun University in Nainital. Email: spsurendrapratap@gmail.com