

CONTRACT WORK IN THE ORGANISED MANUFACTURING SECTOR Trends & Implications

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Prepared for the conference

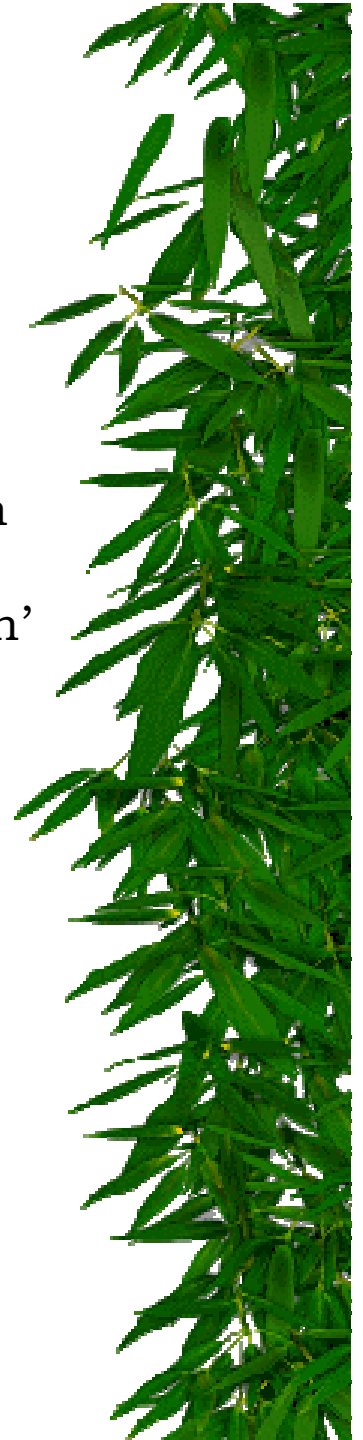
‘Employment Opportunities and Public Employment Policy in Globalising India’
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Globalisation of production & labour

- ★ Fordism to Post-Fordism (Amin 1994)
- ★ Changes in....
 - Structure of production & Employment relationships (Storper 1997)
 - Structure of firms(Transnational)-world trade -production chains (Sayeed & Balakrishnan 2005)
 - Increase the significance of all forms of ‘cost of production’ (Standing 1999)
 - Nature of competition (Benner 2002)
 - among the developing countries & global investors
- ★ Investment decisions
 - Labour market flexibility & FDI Javoric & Mariana (2005), Haaland et al (2003)
 - Labour laws & FDI inflow (Dewit 2003)

Globalisation is precisely the way *developing countries* interact with the rest of the world (Martin Rama 2000)



Informalisation with in the organised manufacturing – case of India

★ Background

- Employment in the organised manufacturing sector
- major concerns



**Table 1 Number & Growth Rate of Employees & Workers in the
Organised Manufacturing Sector**

Year	Number (in Thousands)		Average Annual Growth	
	Employees	Workers	Employees	Workers
1980-81	7715	6047	-0.51	-0.57
1981-82	7778	6106		
1982-83	8010	6313		
1983-84	7824	6159		
1984-85	7872	6091		
1985-86	7472	5819		
1986-87	7442	5807		
1987-88	7786	6062	3.44	3.15
1988-89	7743	6026		
1989-90	8143	6327		
1990-91	8163	6307		
1991-92	8194	6269		
1992-93	8705	6649		
1993-94	8708	6632		
1994-95	9102	6970		
1995-96	10004	7635		
1996-97	9449	7208	-2.58	-2.41
1997-98	9998	7652		
1998-99	8589	6364		
1999-00	8173	6281		
2000-01	7988	6135		
2001-02	7750	5958		
2002-03	7936	6161		

Source: ASI, calculated from various years



Table 2 Composition of Net Value Added

	Total Emoluments	Rent Paid	Interest Paid	Profits	Total Net Value Added
Phase I	54.7	1.2	24.8	19.2	100
Phase II	45.0	1.9	28.6	24.4	100
Phase III	38.8	2.6	25.8	32.8	100

Source: ASI, calculated from various years



Table 3 Production and Non-Production Employees in the Manufacturing Sector

year	Share of Production Workers	Share of Non-Production Employees	Total Employees ('000)
1985-86	78.4	21.6	7715
1990-91	77.9	22.1	7472
1995-96	77.3	22.7	8163
1996-97	74.4	25.6	9241
1997-98	74.0	26.0	8625
1998-99	73.2	26.8	8738
1999-00	73.1	26.9	8271
2000-01	76.2	23.8	7962
2001-02	76.3	23.7	7810
2002-03	76.3	23.7	7573

Source: ASI, calculated from various years



Table 4 Workers Share by type of Tenure

year	Direct Workers	Work through Contract	Total Workers (in thousand)
1980-81	-	-	6047
1985-86	87.9	12.1	5819
1990-91	86.5	13.5	6307
1995-96	86.8	13.2	6872
1996-97	83.4	16.6	6385
1997-98	83.5	16.5	6393
1998-99	84.4	15.6	6047
1999-00	80.4	19.6	6070
2000-01	79.7	20.3	5958
2001-02	78.4	21.6	5781
2002-03	77.1	22.9	5982
2003-04	75.4	24.6	6087

Source: ASI, calculated from various years



Flexibility through Contract Workers

- ★ Major trends
 - All India
 - Industry
 - State



Contractualisation – All India Trends



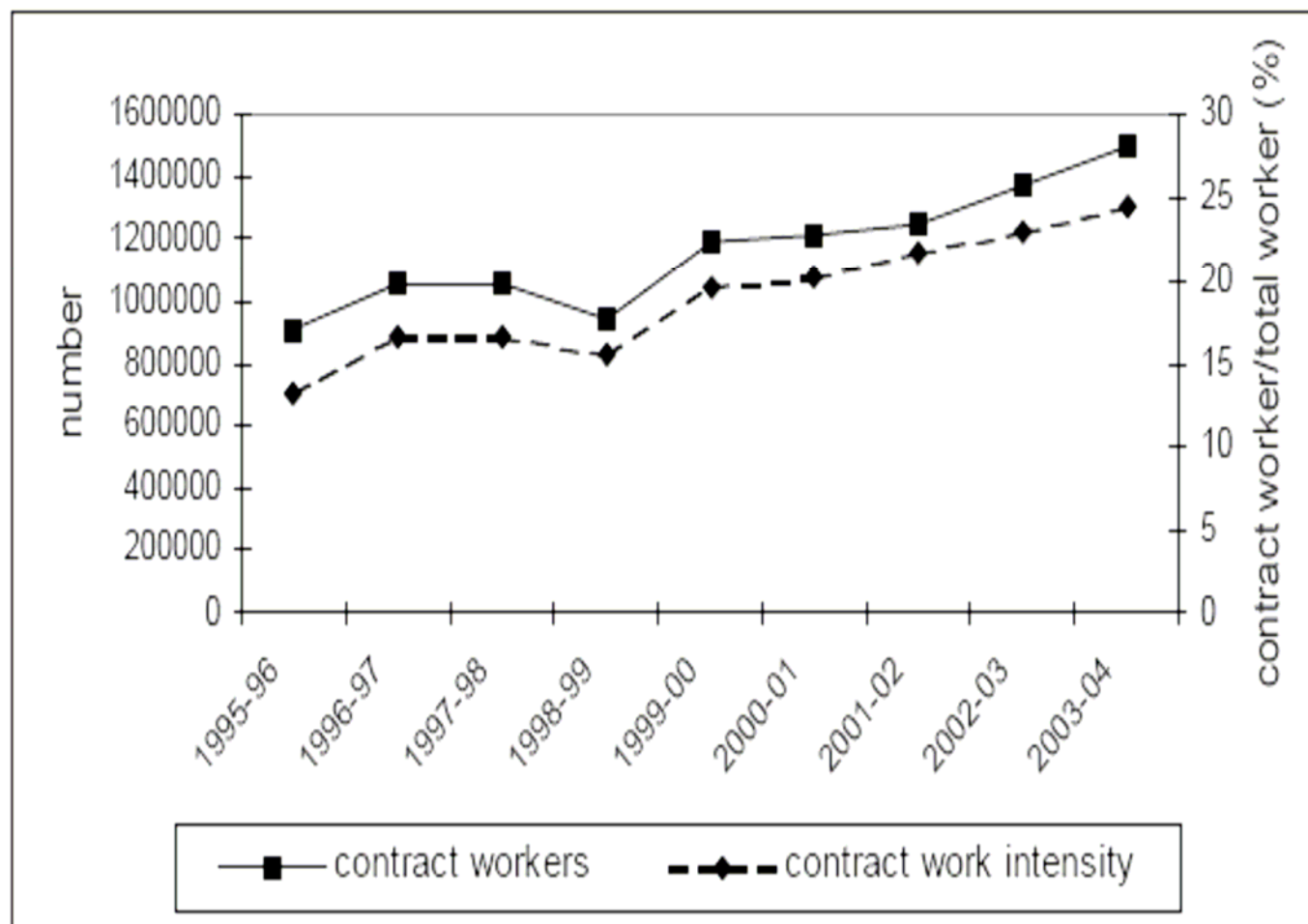
**Table 5 Number and Growth Rate of Total Workers, Directly Employed,
& Employed through Contractors**

Year	No. of Workers	Growth Rate	Directly Employed	Growth Rate	Employed through Contractors	Growth Rate
1995-96	6872048	-	5967333	-	904715	-
1996-97	6384736	-7.09	5325866	-10.75	1058870	17.04
1997-98	6392733	0.13	5337328	0.22	1055405	-0.33
1998-99	6047235	-5.40	5106673	-4.32	940562	-10.88
1999-00	6069784	0.37	4878188	-4.47	1191596	26.69
2000-01	5957618	-1.85	4749073	-2.65	1208545	1.42
2001-02	5780845	-2.97	4530091	-4.61	1250754	3.49
2002-03	5981672	3.47	4611620	1.80	1370052	9.54
2003-04	6086908	-1.91	4591237	-3.54	1495671	9.17
Average		-1.91		-3.54		7.01

Source: ASI, calculated from various years



Figure 1 Number and Intensity of Contract Workers (All-India)



Source: ASI (various years)



Table 6 Share of Contract Workers

Year	Employed through contractor	Employed through Contractor /worker (%)	Employed through contractor /directly employed (in '00s)
1995-96	904715	13.17	15.16
1996-97	1058870	16.58	19.88
1997-98	1055405	16.51	19.77
1998-99	940562	15.55	18.42
1999-00	1191596	19.63	24.43
2000-01	1208545	20.29	25.45
2001-02	1250754	21.64	27.61
2002-03	1370052	22.91	29.71
2003-04	1495671	24.57	32.57

Source: ASI, calculated from various years



Contractualisation – Industry-wise Trends



Table 7 Distribution of Contract Workers across Industries over the Years

Industry	NIC	'95-'96	'96-'97	'97-'98	'98-'99	'99-2000	'00-'01	'01-'02	'02-'03	'03-'04	Average
Food & beverages	15	13.94	16.62	22.45	21.57	18.02	17.42	18.50	18.80	18.46	18.42
Tobacco products	16	25.55	21.80	20.71	5.76	26.72	23.96	22.89	21.01	21.03	21.05
Textiles	17	7.19	8.67	6.51	11.72	8.27	8.36	7.42	7.81	8.98	8.33
Wearing apparel & fur	18	0.49	2.30	0.58	1.16	1.11	1.36	1.61	1.47	2.03	1.35
Tanning of leather, handbags, footwear	19	0.78	0.95	1.14	2.05	1.10	1.79	1.26	1.59	1.52	1.35
Wood, products of wood and cork,	20	0.63	0.68	0.37	0.22	0.34	0.29	0.39	0.41	0.44	0.42
Paper and paper products	21	2.53	2.90	2.36	2.49	2.49	2.55	2.56	2.79	2.68	2.59
Publishing & printing	22	4.96	0.30	0.19	0.26	0.31	0.35	0.41	0.68	0.48	0.88
Coke, refined petroleum	23	1.07	0.92	0.73	0.97	1.31	0.75	1.26	1.37	1.16	1.06
Chemicals & chemical products	24	8.27	9.46	11.58	9.46	9.20	9.10	9.26	9.56	8.96	9.43
Rubber & plastic products	25	1.44	2.08	2.09	2.16	1.94	2.07	2.44	2.08	3.24	2.17
Other non-metallic mineral products	26	11.39	9.77	9.47	12.32	10.69	9.55	11.68	10.77	10.89	10.73
Basic metals	27	11.29	9.52	9.35	10.79	8.84	8.25	8.28	7.54	8.48	9.15
Fabricated metal products	28,29	5.50	7.67	5.20	6.60	3.13	7.53	6.19	7.39	8.87	6.45
Machinery & equipment n.e.c	30	0.35	0.33	0.42	0.18	0.33	0.45	0.39	0.16	0.22	0.31
Accounting & computing mach.	31	1.04	1.44	1.37	2.00	1.54	1.94	1.76	2.13	2.10	1.70
Electrical machinery	32	0.63	0.50	0.38	0.38	0.63	0.57	0.60	0.74	0.85	0.58
Radio, TV & communication equipment	33	0.11	0.25	0.16	0.19	0.21	0.19	0.18	0.22	0.32	0.20
Medical, precision & optical instruments	34	1.26	1.56	1.87	2.28	0.62	0.99	0.49	0.63	3.77	1.50
Motor vehicles, trailers & semi-trailers	35	1.04	1.42	1.58	5.90	1.22	1.43	1.34	1.74	2.30	2.00
Other transport equipment	36	0.53	0.85	1.47	1.55	1.98	1.10	1.11	1.13	1.49	1.25
Total		100	100	100	100	100	100	100	100	100	100

Source: ASI, calculated from various years



**Table 8 Contract Work Intensity: Classification of Industries according to
Levels and Differences**

		Contract Work Intensity Difference	
		High	Low
Contract Work Intensity Levels	High	coke, refined petroleum chemicals and chemical products other non-metallic mineral products machinery and equipment n.e.c	food & beverages tobacco products paper and paper products basic metals
	Low	rubber and plastic products fabricated metal products accounting& computing mach. medical, precision & optical instruments motor vehicles, trailers & semi-trailers	textiles wearing apparel& fur tanning of leather ,handbags , footwear wood , products of wood and cork, publishing and printing electrical machinery radio, TV & communication equipment other transport equipment



Contractualisation – Trends at State-level



Table 9 Average Spread of Contract Worker Intensity across States

Year	Average Share of Contract Worker to Total Worker (<i>in percent</i>)	Coefficient of Variation (CV) (<i>in percent</i>)
1995-96	14.1	63.6
1996-97	17.6	52.8
1997-98	16.2	50.2
1998-99	18.8	54.8
1999-00	19.1	57.3
2000-01	19.5	53.6
2001-02	21.1	47.1
2002-03	22.3	44.3
2003-04	23.3	52.2

Source: ASI, calculated from various years



Table 10 Average Share of Contract Worker to Total Worker (State wise trend)

State	1995-96	'96-'97	'97-'98	'98-'99	'99-2000	2000-'01	'01-'02	'02-'03	'03-'04	Average
Andhra Pradesh	14.09	18.26	21.6	13.58	68.75	21.03	23.74	25.33	25.2	25.71
Bihar	10.01	12.62	11.05	14.98	14.61	15.33	17.59	18.65	17.03	14.23
Gujarat	15.85	25	31.33	22.1	23.46	26.06	30.37	33.65	35.23	26.98
Haryana	18.98	20.14	21.95	17	20.6	23.2	13.42	19.45	18.11	19.19
Karnataka	8.72	13.42	12.1	10.87	15.06	14.7	12.81	13.72	15.06	12.93
Kerala	2.79	3.32	3.32	9.72	5.55	9.79	13.83	9.32	11.41	7.63
Maharashtra	10.53	14.38	18.97	17.8	20.98	21.25	20.91	24.16	23.23	19.14
Madhya Pradesh	14.08	18.73	18.97	14.47	16.32	34.5	18.25	20.96	21.07	19.7
Orissa	19.73	18.99	19.5	20.29	30.63	22.69	28.02	28.78	30.18	24.29
Punjab	8.36	12.42	12.43	9.58	12.85	13.38	14.41	15.18	15.25	12.62
Rajasthan	14.04	21.94	15	19.2	15.56	13.65	15.01	16.9	17.15	16.48
Tamil Nadu	7.95	10.2	7.48	12.45	8.63	10.82	12.88	13.57	13.30	10.78
Uttar Pradesh	12.38	18.87	17.72	24.12	21.99	25.26	22.59	24.78	25.41	21.41
West Bengal	7.77	13.56	7.03	9.53	9.31	11.9	16.17	17.25	16.14	12.06
All India	14.1	17.6	16.2	18.8	19.1	19.5	21.1	22.3	23.30	19.11

Source: ASI, calculated from various years



Table 11 Trends in the Coefficient of Variation (CV) of Contract Workers across States

States	1995-96	'96-'97	'97-'98	'98-'99	'99-2000	2000-01	'01-'02	'02-'03	'03-'04	Average
Andhra Pradesh	62.51	85.17	96.1	70.33	32.06	86.87	81.36	73.69	68.44	72.95
Bihar	99.76	98.89	99.66	98.3	97.54	97.59	98.82	99.64	98.79	98.78
Gujarat	66.97	38.01	83.17	54.23	52.19	29.99	33.78	22.65	35.45	46.27
Haryana	79.53	58.76	63.5	98.65	91.48	65.05	68.08	72.46	74.18	74.63
Karnataka	76.12	61.6	71.82	77.11	43.42	61.5	59.45	61.15	65.58	64.2
Kerala	97.48	96.03	99.4	98.34	95.66	98.13	97.87	99.39	97.58	97.76
Maharashtra	79.09	53.15	39.48	72.42	45.08	30.56	36.72	31.53	28.67	46.3
Madhya Pradesh	50.37	51.33	39.48	75.93	74.67	34.83	65.27	57.83	59.78	56.61
Orissa	65.77	70.94	96.15	81.71	77.67	68.13	57.91	72.54	64.45	72.81
Punjab	81.48	67.5	77.13	93.47	95.05	97.17	96.51	97.92	98.56	89.42
Rajasthan	82.88	80.91	95.94	49.84	78.94	58.94	59.36	58.19	55.11	68.9
Tamil Nadu	96.38	76.79	54.02	80.11	50.63	73.32	61.79	63.17	64.12	68.93
Uttar Pradesh	59.04	54.87	68.85	64.11	57.46	63.28	52.49	50.57	54.56	56.36
West Bengal	87.6	82.53	64.23	96.6	62.54	79.42	69.55	51.19	50.5	71.58

Source: ASI, calculated from various years



Flexibility through Contractualisation

Its Implications

- ★ Contract work - A substitute for direct workers
- ★ Contract work – A compliment to capital intensive production
- ★ Contract work – A redistributive strategy for factor shares



Table 12 Comparison of growth Rates of Contract Employment and Direct Employment

		Contract Work	
Direct Work	Negative	Positive	Negative
		food & beverages; tobacco products; textiles; tanning of leather ,handbags , footwear; paper and paper products; coke, refined petroleum ;chemicals and chemical products ;fabricated metal products accounting& computing mach.; electrical machinery; radio, TV & communication equipment; motor vehicles, trailers & semi-trailers	wood , products of wood and cork, publishing and printing basic metals machinery and equipment n.e.c medical, precision & optical instruments
	Positive	wearing apparel& fur rubber and plastic products other non-metallic mineral products	other transport equipment



Table 13 Major Macro Economic Indicators Along with Contract Workers

Year	Employed through contractor /worker (<i>in percent</i>)	Capital-Labour Ratio	Profit/net value added	Wages/net value added
1995-96	13	3.44	0.37	0.09
1996-97	16	3.7	0.45	0.07
1997-98	16	4.19	0.28	0.08
1998-99	16	5.98	0.32	0.06
1999-00	20	6.55	0.31	0.05
2000-01	21	6.6	0.25	0.06
2001-02	22	7.47	0.36	0.05
2002-03	23	7.22	0.36	0.05
2003-04	24	7.68	0.37	0.05

Source: ASI, calculated from various years



Conclusion

- ★ Indian labour market is *rigid* in nature but *flexible* in spirit
- ★ Thinking of *Alternatives*
 - Labour standards
 - Innovation in productivity
 - Cheap supply of raw materials
 - Assured market
- ★ *Cautious* and *balanced* approach towards labour market flexibility
 - Too much flexibility is *as bad as* too much rigidity
- ★ *Challenge* before the Indian industrial-relations system
 - A framework combines the efficiency of the enterprises with the interest of the workers



Thank you

