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“Inclusive Development” of Employment in the Indian Automobile Industry : Have Contract Based Workers in the State of Haryana Achieved it?

メタデータ	言語: eng 出版者: 公開日: 2018-01-17 キーワード (Ja): キーワード (En): 作成者: 友澤, 和夫 メールアドレス: 所属:
URL	<a href="https://doi.org/10.15021/00008674">https://doi.org/10.15021/00008674</a>

# **“Inclusive Development” of Employment in the Indian Automobile Industry: Have Contract-Based Workers in the State of Haryana Achieved it?**

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## **1. Introduction**

Since the turn of the century, India has experienced unprecedentedly rapid economic growth, driven by globalization and the rise to prominence of certain domestic sectors, such as the ICT service industry. Regarding manufacturing, the development of India's automobile industry has also been remarkable. In terms of vehicle production, India ranked sixth in the world in 2013, behind only China, the United States, Japan, Germany, and South Korea. Consequently, large industrial estates have developed on the outskirts of major metropolitan areas such as Delhi, Chennai, and Pune, thanks to intensive investment by global auto giants. A modern industrial landscape has, therefore, begun to prevail in these cities. Nevertheless, although the automobile industry has contributed to India's economic growth, it might not have contributed equally to employment growth: it is well known for using non-regular workers, with contract workers increasing as a proportion of total workers (or raising the contract ratio, as explained herein).

By contrast, during Japan's higher economic growth period, many people were employed in the industrial labor force as regular workers, providing both job security and a reasonable salary. Japanese industrialization, thus, succeeded in achieving “inclusive development” of employment. This situation persisted until the 1980s. However, in the 1990s, Japanese industries introduced a new type of workforce, especially contract workers, to compete in the global market. Globally, this tendency to employ a flexible workforce has become pervasive since the late 1990s, including in India, as a means to limit labor costs and counteract the problems that can arise from extensive employment of regular unionized workers.

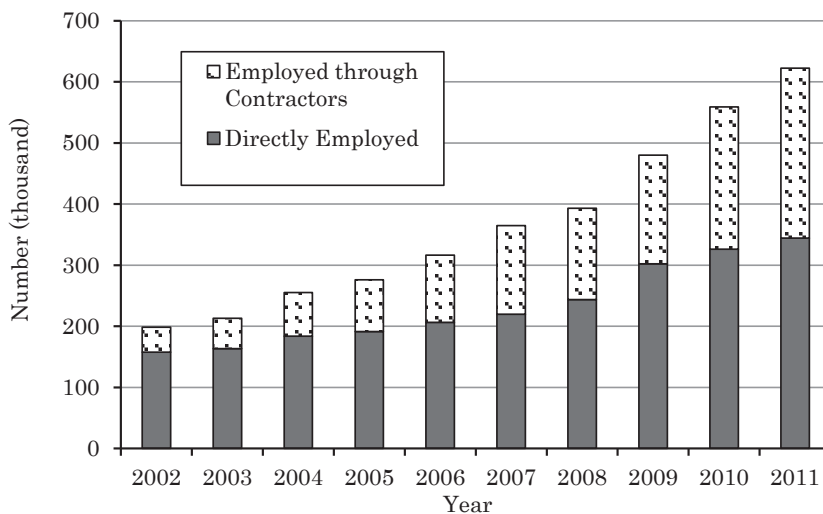
Many scholars have particularly examined the proliferation of contract workers in Indian labor markets (Neethi 2008; Verma and Awasthi 2010; Barnes 2015, etc.). Nevertheless, few studies have examined the supply-side features, such as worker attributes, applicable to the labor markets. To bridge this gap in the literature, this study was conducted to clarify the labor market structure of contract workers in the automobile industry, focusing particularly on the following four points. The first concerns worker

attributes: what human capital do they have, and which routes do they take to enter this labor market? The second is the contracting system, which involves three groups of actors: contractors (*thekedar*, in Hindi), workers, and manufacturing companies. Among these three, the function of contractors is mainly discussed herein. The third is the relation between labor reproduction and money saving. Every day, workers reproduce labor power lost at work through expenditure on food, housing, etc. Concurrently, it is expected that they try to reduce expenditure to build their savings. How do workers coordinate this tradeoff? The fourth point is how the expansion of contractual labor influences the spatial structure of India's contemporary economy.

## 2. Non-regularization of Automobile Industry Jobs in Haryana

The author obtained statistical data on the number of contract workers by industry from the *Annual Survey of Industries*. According to the survey, the Indian manufacturing industry employed about six million workers in 2002/03; the figure exceeded 10 million in 2011/12. During that period, the contract ratio increased from 23.1% to 34.6%. This ratio differs among industries. Regarding the automobile industry (National Industrial Classification (NIC) 29), the contract ratio rose from 20.7% to 44.6% during the same period (Figure 1) to become the highest among modern industries in India.

The contract ratio also varies by state. As shown in Table 1, the automobile industry in Haryana employed about 141 thousand workers in 2011/12, 100 thousand of which were supplied through contractors, representing a contract ratio of 71.0%: the highest in India. By contrast, in 2003/04, Haryana's automobile industry only hired 22 thousand workers on a contract basis, compared to 39 thousand employed directly. Thus, the



**Figure 1** Non-regularization of India's automobile industry  
Source: *Annual Survey of Industries*

**Table 1** Employment by automobile industry in Haryana (2011/12)

NIC-2008	Description	Workers			Contract ratio (%)
		Directly employed	Through contractors	Total	
291	Motor vehicles	3,865	7,996	11,861	67.4
292	Body for motor vehicles	1,870	4,974	6,844	22.0
293	Parts and accessories	22,301	51,319	73,620	69.7
309	Transport equipment	12,729	35,561	48,290	73.6
Total		40,765	99,850	140,615	71.0

Source: *Annual Survey of Industries*

contract ratio at that time was 35.9%, compared with 22.0% nationwide. Put simply, 80 thousand new workers were employed during that period, with the increment mainly attributed to the proliferation of contract workers. Though new job opportunities were created by development of the automobile industry, the increase is expected to be principally attributable to non-regularization of employment in the industry: a typical example of a formal and modern industry.

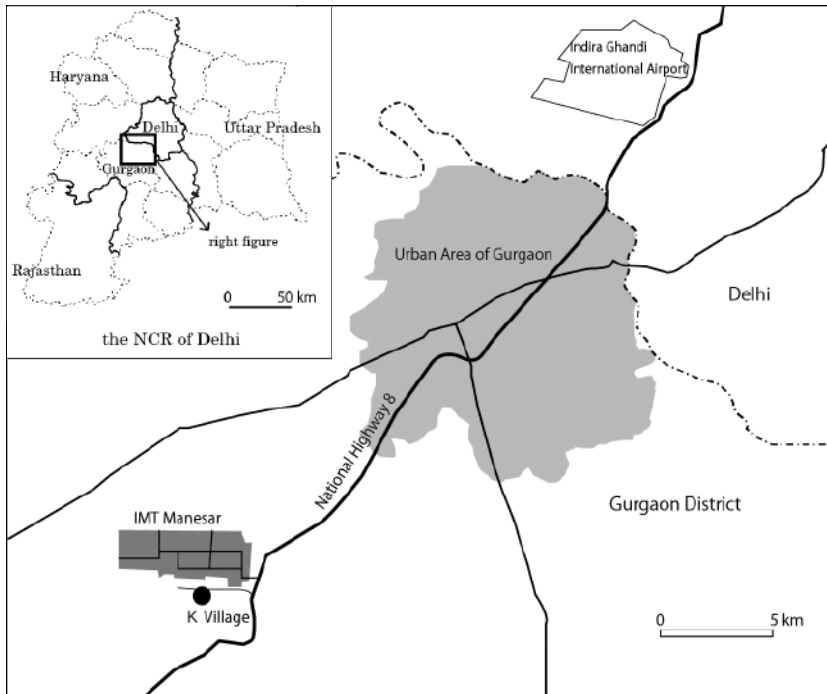
### 3. Study Area and Research Method

India has three major automobile production centers: the National Capital Region (NCR) of Delhi, Mumbai-Pune, and Chennai-Bangalore. Overall, most vehicle assemblers and suppliers to the industry tend to be located in the “auto crescent”: a belt combining the three production centers. Tomozawa (2014; 2015) notes that the “auto corridor” in the NCR of Delhi extends from Greater Noida in Uttar Pradesh (UP) to the area along NH-8 in Haryana. Gurgaon district is especially well known as the auto corridor’s main hub.

The author chose one village, designated herein as K, as the study area (Figure 2). This village, which is adjacent to the Industrial Model Township (IMT) of Manesar, was developed by the Haryana State Industrial and Infrastructure Development Cooperation (HSIIDC). This is the largest industrial estate in Haryana. Maruti Suzuki, Honda Motorcycle & Scooter India (HMSI), and their suppliers have established factories in the southern part of IMT Manesar. K village is actually within walking distance of these factories. In February 2014, the author conducted a questionnaire survey of contract workers living in apartments in K village.

Before the development of IMT Manesar, K village was a typical rural settlement in Haryana. The village’s dominant caste was Yadav, who used to engage in cultivation and animal husbandry. This situation was altered completely by the advent of industrial development. After requisition by the HSIIDC, most farmland was converted to industrial use. Apartments for factory workers were built on the remaining farmland using compensation (Photo 1). Consequently, villagers began to receive monthly income from renting rooms, instead of agriculture.

The dramatic changes in K village were confirmed by census survey results. Its



**Figure 2** Study area



**Photo 1** Apartments in K village (front) and factories in IMT Manesar (center)  
Source: photographed by the author (February 2014)

population rose from 1,522 in 2001 to 5,041 in 2011. The sex ratio (number of women per 1,000 men) decreased sharply from 905 to 598 during that decade, due to the influx of male migrant workers. Moreover, of K village’s 1,850 “Main Workers” in the 2011 census, only 125 people were engaged in agriculture or household industries; the remaining 1,725 were classified as “Main Workers-Other,” meaning factory workers in this case. Consequently, the occupational structure of K village was drastically changed by the industrial development of IMT Manesar.

#### 4. Basic Attributes of Respondents

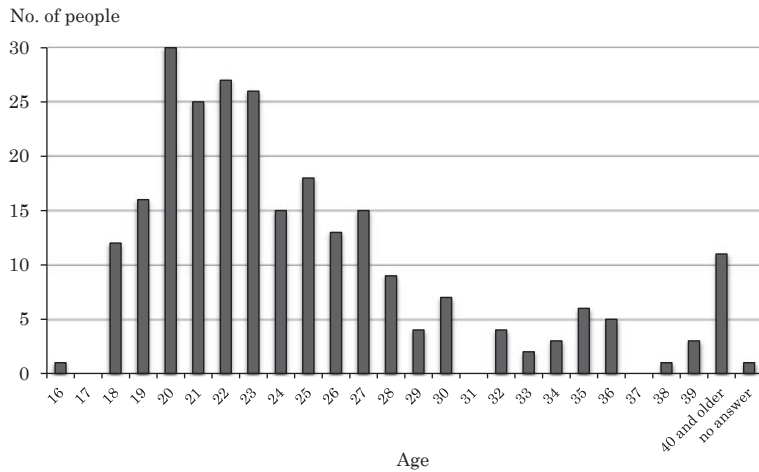
The author visited apartments in K village with local assistants and obtained responses from 445 workers in total, comprising 313 respondents in the automobile industry, 41 in the textile industry, 28 in the leather industry, 52 in other manufacturing, and 11 in other activities. Their job status responses showed that five worked as staff, 86 as regular workers, and 353 as contract workers; one was unidentified. Most respondents (57.1%) were contractor workers in the automobile industry.

For this study, the author specifically examined 254 contract workers (248 men and six women) who worked on the production line of the automobile industry. They were dispatched to two automobile assemblers (HMSI: 24 people; Maruti Suzuki: 10 people) and 58 component suppliers (220 people). Therefore, the respondents were scattered, rather than concentrated at a small number of factories. The sample seems representative of the contract labor market of this region’s automobile industry.

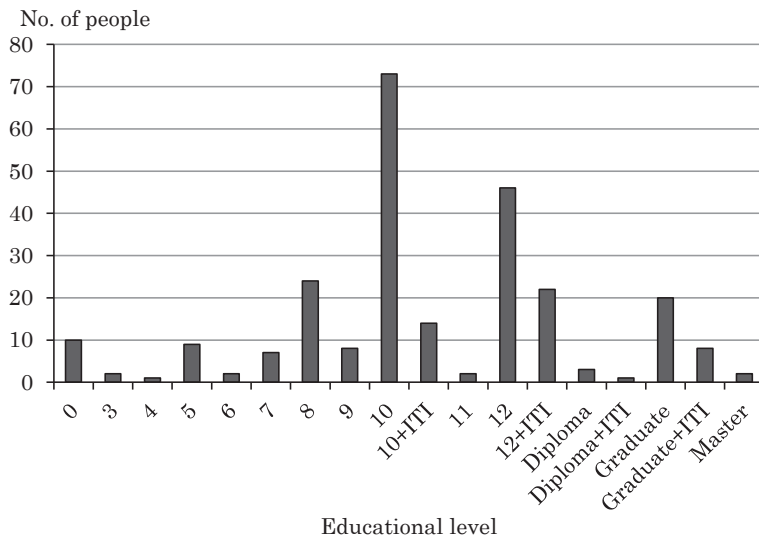
In terms of religion, Hinduism is dominant (95.3%) among the respondents. Of these, 38.6% belonged to Forward Class, 34.6% to Other Backward Classes, 20.1% to Scheduled Castes, and 2.4% to Scheduled Tribes. Compared with the national trend, the Forward Class population percentage was slightly high, but no particular imbalance was noteworthy.

Respondents’ average age was 25 years old, but their age distribution centered on 20–24 years old (Figure 3). It is readily apparent that this contract labor market consists of younger workers. The number of respondents decreased gradually with advancing age, indicating that they tend to retreat from the labor market over time.

Their educational background centered on secondary (10<sup>th</sup> grade) and senior secondary (12<sup>th</sup> grade) (see Figure 4). However, educational background varied from “no education” to “graduate” or “master’s” level, implying that the automobile industry requires no specific educational qualifications for contract workers. Because the industry’s production processes are divided into numerous fragmented jobs, all workers can master them quickly. Why graduates work in this type of job is unclear. It was previously believed that graduates never work on a shop floor in India. However, the situation has been gradually changing due to recent increases in college enrolment. Furthermore, the academic levels of colleges vary. In this study, most “graduates” attended Hindu colleges, not English medium colleges. In India, graduates without English capability are excluded from good job opportunities; they are typically limited to unsatisfactory jobs, such as contract work.



**Figure 3** Age distribution of respondents  
Source: Author's questionnaire survey



**Figure 4** Educational background of respondents  
Source: Author's questionnaire survey

The number of respondents who were Industrial Training Institute (ITI) qualification holders, conventionally regarded as the main source of India's industrial labor force, was only 45 (17.7%). This low rate signifies that participants in this labor market were not required to have specific skills, reflecting the pervasiveness of simplified and fragmented jobs. In short, male youthfulness seems the most important requirement for participation in this market.

## 5. Formation mechanisms of the contract labor market

### 5.1 Origin of respondents

Table 2 displays the respondents’ origins by state. Their native states were mostly confined to northern India. The results show that UP ranked first (145 people, 69.7%), followed by Bihar (54 people, 21.3%). These two states account for nearly 80% of all respondents. Only eight respondents (3.1%) were from within Haryana, contrary to the expectation that such an industrial labor market is formed by local people. In addition, there were four Nepalese, who can work in India without a working visa.

Detailed analysis of origins was conducted based on districts. First, only 17 respondents (6.7%) were from districts in the NCR of Delhi (light shading in Figure 5). Notably, only four people came from districts in which automobile factories were located (dark shading in Figure 5). It is unnatural for the residents of districts comprising the auto corridor, including Gurgaon, to be excluded from the labor market. Contractors and automobile-related manufacturers seem to avoid hiring local residents as workers to avoid labor problems. Seventeen respondents were from NCR districts without automobile factories (light shading in Figure 5). Of these, nine were from the Bulandshahr district of UP. The level of industrial development in this district remains low, although the zone from Bulandshahr to Kanpur is the origin of many contract workers. Simultaneously, the zone from eastern UP around Ballia (with the largest number (19)) to west Bihar supplied numerous workers. The combination of these two zones was termed the “contract workers’ belt.”

**Table 2** Respondents’ origin

State	No. of people	Ratio (%)
UP	145	57.1
Bihar	54	21.3
Rajasthan	11	4.3
Madhya Pradesh	10	3.9
Haryana	8	3.1
Odisha	6	2.4
West Bengal	5	2.0
Jharkhand	4	1.6
Uttarakhand	3	1.2
Assam	2	0.8
Jammu and Kashmir	1	0.4
Nagaland	1	0.4
NEPAL	4	1.6
Total	254	100.0

Source: Author’s questionnaire survey



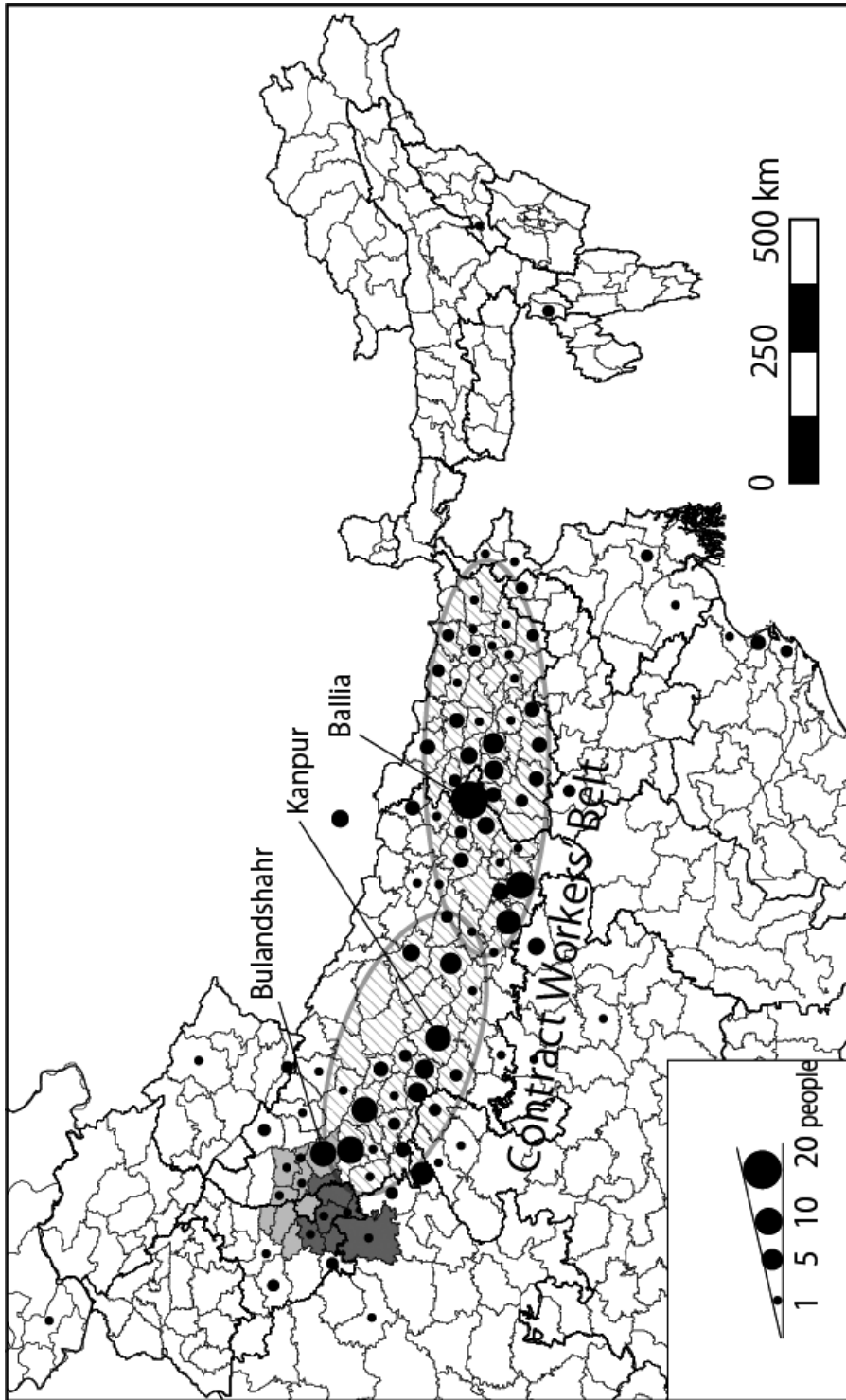
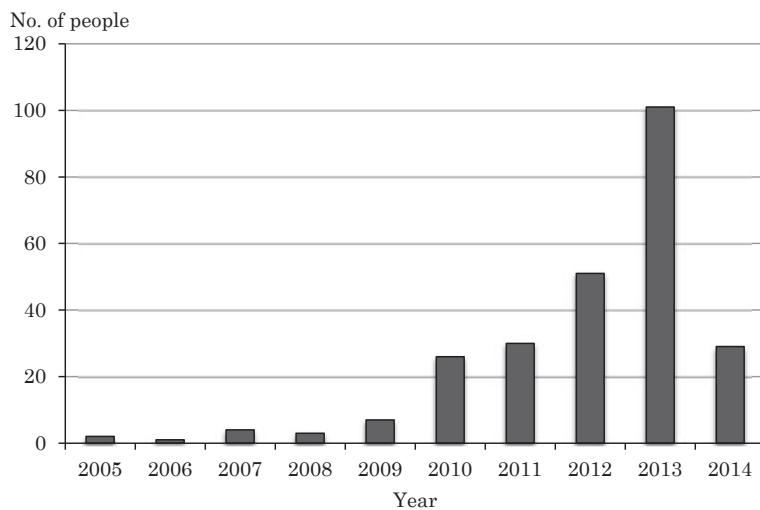


Figure 5 Contract workers' belt  
Source: Author's questionnaire survey

**5.2 Pattern of inflow into the labor market**

This subsection discusses the formation mechanism of the contract labor market from the supply side, particularly addressing the respondents’ occupational routes from the contract workers’ belt to this study area. Figure 6 shows years in which they commenced work at their current factories to elucidate job tenure in this labor market. In all, 130 respondents (50.1%) began their current jobs during 2013–2014. This survey was administered in mid-February 2014. Therefore, “2014” here represents only the first 40 days of that year. In Haryana, the maximum tenure for a contract worker is six months (according to an interview with HMSI). If a company intends to use a worker for more than six months, the individual must be given regular worker status. Reflecting this rule, half of the respondents joined their current factories in and after 2013. Combined with the age distribution feature (Figure 3), this labor market is apparently characterized by intense workforce turnover. However, the remaining half of the respondents began their current jobs in and before 2012, suggesting the existence of some loopholes in the rule. For example, some respondents who continue to work at one factory for over three years were forced to change their registered contractors every six months. Others continue working in one workshop without such a change. Consequently, “long-term” contract work also exists in the labor market.

Among the respondents, 118 people had not previously worked (excluding agriculture) before their current factory jobs. These workers might have moved to the study area from their birthplace and then found their current job through contractors. Rapid industrialization of the Manesar area triggered the formation of a large pool of potential employees. The respondents that flowed into this pool are used by the contractors according to industry demand.



**Figure 6** Year during which respondents started working in current factory  
 Source: Author’s questionnaire survey

Of the 134 respondents previously employed, most had worked in manufacturing industries. As shown in Table 3, 70 people previously worked in IMT Manesar. The main reason for leaving their earlier jobs was termination of the contract period. Furthermore, 42 people previously worked outside Haryana. Nearly half had worked in Delhi and UP, while others had worked in states characterized by high industrial production, such as Gujarat, Maharashtra, and Tamil Nadu. These results suggest that the contract workers' belt sends laborers not only to the NCR but also to other industrial areas throughout India.

These findings suggest two migration patterns from the contract workers' belt to the study area: direct migration that links both regions, and indirect migration via other industrial areas. In neither case are contractors involved in the respondents' migration process; migration is the spontaneous decision of the respondents. Contractors have not established offices in the contract workers' belt for acquiring labor; Instead, their activities are mostly confined to the Gurgaon district.

Of the 73 respondents who stated how they had contacted contractors (Table 4), the largest number (30) had done so through a "friend." However, it is not certain when and where they developed those friendships. Therefore, it is difficult to determine place for the "friend" category. In contrast, "relative" (15), "family member" (12), and "person from the same village" (6) strongly relate to each respondent's place of origin. Therefore, relatives and neighbors who had already worked in this area played an important role as mediators (e.g., providing attractive information about the area). Workers' inflow in the form of chain migration is, therefore, confirmed in the labor market.

**Table 3** Location of respondents' previous workplace

State	Respondents
Haryana/Manesar	70
Haryana/other	13
UP	12
Delhi	10
Gujarat	5
Maharashtra	4
Punjab	4
Tamil Nadu	3
MP	2
Uttarakhand	1
Other state	1
No previous job	118
Unknown	2
Total	245

Source: Author's questionnaire survey

**Table 4** Intermediary between respondents and contractors

Intermediary	Respondents
Friend	30
Relative	15
Family	12
Acquaintance	7
Person from the same village	6
None	3
Total	73

Source: Author’s questionnaire survey

**5.3 Role of contractors in the labor market**

In India, contracting businesses are under the jurisdiction of state governments. A license issued by the state government (which must be renewed annually for a fee) is all that is necessary to start such a business. Therefore, becoming a contractor is easy and incurs low start-up fees. In the study area, the contractors vary from individual small businesses to larger organizations.

For example, Company A, established by a K villager in 2002, had approximately 800 registrants in 2014. This company acquires registrants through eight staff called “field workers.” One of its areas is IMT Manesar. Field workers approach jobseekers in front of factory gates and seek to register them. The company also obtains information from local apartment owners concerned about their tenants’ employment situation, since unemployed tenants will likely struggle to pay the monthly rent. Consequently, they share a related interest with the contractors.

Company A divides registrants into three groups: skilled, semi-skilled, and unskilled. It dispatches registrants to 10 to 15 client manufacturers in IMT Manesar according to demand. In turn, it receives from clients a 10% commission on each worker’s basic salary: these monthly payments are the company’s main source of revenue. The dispatch period varies by client, from six months to two years, but six months is typical for this company.

**6. Economic life of contract workers**

**6.1 Income**

Industries mainly introduced contract workers to reduce labor costs. In practice, how much money do contract workers earn? Contract workers’ net income is calculable as follows. First, the basic wage is determined by the state’s minimum wage. As workers’ skill level rises, their basic salary tends to increase, but it remains low. Second, workers usually receive some allowances, such as overtime wages. From the revenues described above, employee contributions to Employee State Insurance (ESI), the Employment Provident Fund (EPF), the company cafeteria, etc., are deducted to ascertain their monthly net income. They receive payments from registered contractors, rather than from

their employers.

One question posed in the questionnaire is related to monthly income. In response, some respondents merely provided their basic wage, while some cited their gross income, and others their net income. Therefore, across-the-board evaluation is difficult. However, clear trends were evident. First, 75 respondents had a monthly income of Rs. 5,300–5,400, in line with Haryana state's minimum wage for unskilled laborers in 2014 (i.e., Rs. 5,341.51). Furthermore, 119 respondents had a monthly income of Rs. 5,300–6,000. Therefore, the contract workers' basic salary fundamentally fell in line with this range. Additionally, they usually engage in overtime work, for which they receive an overtime wage of Rs. 20–30 per hour. Consequently, contract workers are paid a stable basic wage. They also receive an allowance of Rs. 1,500–3,000 per month. After total deductions of about Rs. 1,000, they have an estimated net income of Rs. 6,000–7,000. This is less than half that of regular workers. According to the Japan Chamber of Commerce and Industry in India, the average gross income of line workers in 2014 was Rs. 19,214. Therefore, the introduction of contract workers is clearly advantageous for companies in terms of reduced labor costs.

## 6.2 Reproducing labor power and remittances

How do contract workers spend their income? First, they use money to reproduce their labor power. Securing accommodation is necessary for labor reproduction. For this purpose, the apartments developed in K village play an important role. The surface of the brick apartment buildings is reinforced with concrete. The number of floors varies from one to four, but each room has the same structure. The room size is only about 9 m<sup>2</sup>, which is too small to accommodate household goods. A few belongings can be placed on shelves affixed to one wall, although clothes can be hung on hooks attached to the opposite wall (Photo 2). Regarding electrical equipment, a fan and a light bulb (or fluorescent lamp) are installed in the ceiling. There are only one or two electrical outlets in each room. Water-related facilities, such as kitchens, toilets, and bathrooms, are not available in individual rooms: instead, they are shared by all apartment dwellers.

The monthly rent for a single room in a K village apartment is Rs. 1,500, which is a large share of a worker's monthly net income. Therefore, most workers share a room with other people, each paying an equal share. In the questionnaire survey, 206 people reported occupying "shared" accommodation, which far exceeded the number (47) reporting that they "rented alone (or with family)." As a single room is shared by 2.5 people on average, each resident incurs a monthly rent of Rs. 600, which is one-tenth of the average net income.

Food is also indispensable for reproducing the labor force, although only a small amount is allocated to this expenditure category. Contract workers mostly cook for themselves, so they keep a propane gas cylinder, a stove, tableware, seasonings, and wheat flour in the apartment. The author did not directly investigate respondents' food expenses, but it was readily understood from observations that this was moderate. Moreover, the inexpensive meal offered in each factory (about Rs. 200 a month) is important for workers maintenance of a healthy diet.



**Photo 2** Questionnaire survey administered in a K village apartment room  
 Note: Three workers shared this room.  
 Source: photographed by the author (February 2014)

Contract workers minimize expenditures on such necessities to remit surplus money to their family. Of all 220 respondents, the average remittance per month to their parents or wife was Rs. 3,300 (median Rs. 3,000). About half of workers’ net income is, therefore, allotted to remittances. Most respondents have no bank account. Therefore, they either take money with them when returning home or ask trustworthy people from the same village to deliver it. Consequently, being able to send remittances is the main reason respondents move from the contract workers’ belt to K village. As most come from poverty-stricken areas, they endeavor to support their families by working in the auto corridor.

## 7. Conclusion

This study assessed the agglomeration of the automobile industry in the south-western part of the Delhi NCR’s auto corridor, based on the national spatial trend of this industry. Together with the spatial expansion and “multilayerization” of the auto corridor (Tomozawa 2014; 2015), the non-regularization of employment was observed. The market conditions of the industry are severe in India. In fact, some companies have reported that the market price of motorcycles is 10–20% lower than the price prevailing for equivalent-specification vehicles throughout Southeast Asia. Therefore, to trade profitably in such a competitive market, companies must reduce labor costs. The

introduction of contract workers supports this strategy. Furthermore, employing contract workers is attractive for companies troubled by labor disputes, as such workers have no right to organize labor movements.

This study specifically analyzed the labor market characteristics of contract workers to elucidate the institutional background of contract labor, contract workers' attributes (e.g., age, educational level, and birthplace), their entry routes into the labor market, the role of contractors, and contract workers' economic life. The increasing trend of non-regularization of the workforce appears to be driving labor migration from the contract workers' belt.

By the early 1990s, several vehicle assembly plants had been established in the NCR of Delhi. However, regular employment was central to workers at that time. These plants' labor supply areas were confined to adjacent villages; therefore, the supply and demand zone of workers was concentrated within the area in which production facilities were located. Further industrial progress in the NCR consequently expanded the auto corridor along NH8.

However, regarding labor supply, the non-regularization of workers and emergence of the contract workers' belt coincided. The current workforce supply zone is quite distant from the auto corridor, located within the area from the NCR's eastern edge to Bihar. In this area, many households face poverty, forcing younger men to migrate as laborers. Through the recent advent of the auto corridor, UP and Bihar have also come to be situated in the contract workers' belt, to meet the corridor's demand for contract labor.

Over the past decade, labor migration from the contract workers' belt to Haryana's auto corridor, and remittances from the latter to the former, have become noteworthy. Although the belt receives some economic benefits as part of the auto corridor production system, one cannot ignore its workers' job instability and low wages. Additionally, these workers can only spend a fraction of their salary on reproducing their labor power, which hastens their retreat from this labor market. Vacancies are filled immediately by the surplus labor population residing in the belt. In summary, the failure of contemporary India's economic growth to benefit the nation's poor evidently persists. The relation between the two areas seems to have formed a center-periphery structure.

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