

Labour and Employment under Globalisation: The Case of Gujarat

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On examining the dynamics of the processes of change in the status of labour and employment in the rapidly globalising state of Gujarat in India, this study shows that the rapid growth in the state has not been shared by labour. This has resulted in the state slipping in poverty reduction, human development and in hunger removal. This study also argues that an unfair deal to labour need not be a part of neo-liberal economic reforms and that providing a just share to labour can contribute towards promoting labour-intensive and equitable growth in the state.

Neo-liberal policies do not directly address labour and employment in the sense that these factors are not at their core. Instead, their benefits were expected to trickle down to labour through the functioning of the labour market. It was thought that the growth promoted by economic reforms would raise labour productivity, employment and wages in the economy, which in turn would contribute significantly towards poverty reduction and human development. As is well known now, the trickle-down theory has not worked well in most developing countries, including India. But what is not so well known is why and how labour has not received a fair share of growth.

This paper tries to understand the dynamics of the processes that have been responsible for changes in the status of labour and employment in Gujarat, one of the rapidly globalising states in India. The selection of Gujarat is important because it is seen as a “model state” that has reaped the most from neo-liberal policies in the past decade and a half and is considered an example worth emulating by several aspiring states in the country.

Labour Processes under Economic Reforms

There have been several studies on the impact of neo-liberal policies on labour and employment. This field has been explored by a large number of economists (Harriss-White and Sinha 2007; Seguino 1997; Guenseli and Rodgers 2007; Hirway 2009a, b, 2010; Kantor, Rani and Unni 2006; Nathan 2007). These studies have identified several labour processes taking place in economies after the introduction of neo-liberal policies.

To start with, it is observed that gross domestic product (GDP) growth has been achieved by adopting highly capital-intensive technologies and that the higher the jump an economy has taken in technology, the higher the growth it has achieved. This is primarily because production units have adopted the latest, frontier technologies, which are usually capital-intensive in nature, to be competitive in the global labour market, and also because the increased inflow of foreign direct investment (FDI) has brought in highly capital-intensive technologies prevailing in the countries from where the funds come. As a result, the employment generated per unit of output has been declining drastically in these economies. There is nothing wrong in this if the jump in technology is accessible to all sectors of the economy. But this has not happened for want of resources and markets. So one observes a sharp dualism in these economies, where there is a small modern sector enjoying highly capital-intensive technology and high incomes and a large traditional (or non-tradable) sector with low skills, low productivity and low incomes. Apart from being politically and socially unsustainable,

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this growth is not sustainable economically as well because it is likely to result in an aggregate demand deficiency sooner than later. Alternatively, the growth of the modern sector becomes increasingly dependent on global markets, disregarding the domestic market.

Another labour process identified by experts is that the growth of labour-intensive exports has increased employment opportunities in many developing countries but that the quality of employment is poor. This is because the global market, dominated by global production networks, is under the control of multinational corporations, which keep core activities such as sale, design and finance with themselves while distributing labour-intensive production processes among developing countries. These countries, forced to globalise at the lowest end of the value chain, cut their labour costs by reducing wages and not providing social protection so as to survive cut-throat competition and acquire orders from multinational corporations.

Third, rapid industrial growth is usually achieved through destruction of natural resources (that is, overusing natural resources without adequate replenishment) and pollution of air, water and land (in the absence of proper regulation). The adverse impact on natural resources hurts the livelihoods of people as more than 60% of the population in these countries still depend on natural resources for their livelihoods. Finally, the vulnerability of labour has increased considerably under globalisation because the volatility of the global market does not ensure stable jobs to workers and increased competition in the domestic labour market results in closures, down-sizing and restructuring of units. As the International Labour Organisation (ILO) has pointed out, society at present in developing countries is “a risk society” (2004) because most groups, particularly those at the bottom, are exposed to uncertainty and risks that emanate from new policy regimes. Their insecurity is multidimensional – related to employment, income, work, job, and skills.

These labour processes call for carefully designed labour and employment policies to address their negative effects and to promote adequate employment with “decent work”. As the ILO has observed, if the benefits of increase in labour productivity are not passed on to workers, it is likely to create a severe aggregate demand deficiency sooner or later in economies (2010). This paper examines the case of Gujarat, one of the most rapidly growing states in India, to understand the status of labour and employment in the context of the above discussion.

The Case of Gujarat

Gujarat has emerged as one of the fastest growing states under globalisation in India, particularly after 2000, when the rate of growth of state domestic product (SDP) began shooting up. From 2000 to 2008, India’s GDP grew at 7.68 compound annual rate of growth (CARG) while Gujarat’s SDP rose at 10.76 CARG. The secondary sector in the state grew at 11.16% and the tertiary sector at 10.27% during this period, against the corresponding all-India rates of 8.31% and 7.68%. What is worth noting is that agriculture in the state showed a more than 12% annual growth rate during 2000-08 while India struggled hard to achieve even a 3% rate of growth in this sector (Table 1). This growth rate in agriculture has been described by several scholars as a “miracle” and a

consequence of “structural changes” in the sector (Shah et al 2009; Datta and Dholakia 2010).

Table 1: GDP – Compound Annual Rate of Growth (in %)

Industry Group	Gujarat GDP CARG			India GDP CARG		
	1993-2000	2000-08	1993-2008	1993-2000	2000-08	1993-2008
Agriculture	0.26	12.83	6.36	2.78	3.31	3.04
Primary	0.24	11.1	5.53	2.96	3.46	3.21
Manufacturing	6.97	11.06	8.99	7.02	7.64	7.33
Secondary	7.03	11.16	9.08	6.77	8.31	7.54
Service industries	9.49	13.32	1.39	8.81	11.23	10.01
Tertiary	7.9	10.27	9.08	8.07	9.67	8.87
Total GDP	5.92	10.76	8.31	6.20	7.68	6.94
Per capita Income (Rs)	3.78	8.95	6.34	4.20	6.00	5.09

Source: Various issues of *Socio-Economic Review*, an annual publication of the Government of Gujarat, and *Economic Surveys 2007-2009*.

How has the distribution of the benefits of growth been to the different sections of the population in general and to labour in particular? The first question that has to be tackled is whether the structural changes in the sources of SDP are reflected in changes in the structure of employment. Table 2, which presents the relevant data, shows that the higher shares of the non-primary sectors in the SDP are not accompanied by structural transformation in the workforce. Though more than 85% of the SDP comes from non-primary sectors, these sectors provide employment to only about 45% of the workforce (2008-09). That is, the primary sector has 54.4% of the workforce but contributes less than 15% of the SDP. There is a huge gap between the labour productivities in the primary and non-primary sectors, implying that 1% of gross state domestic product (GSDP) is produced by 3.34% of the workforce in the primary sector whereas 1% of GSDP is produced by 0.54% of the workforce in the non-primary sectors (almost one-seventh that of the primary sector).

Table 2: Sectoral Shares in State Domestic Product and State Employment in 2004-05 and 2008-09

No	Sector	Gujarat SDP % Share		Gujarat % Share in Employment (P+SS)		India % Share in Employment	
		2004-05	2008-09	2004-05	2008-09	2004-05	2008-09
1	Primary	18.33	14.8	49.9	54.4	54.09	57.3
2	Secondary	37.98	37.1	24.4	22.3	19.64	18.7
3	Tertiary	43.69	48.1	25.7	23.3	26.29	24.1

P+SS: principal and subsidiary status.

Source: *National Sample Surveys (NSS)* of 2004-05 and 2008-09 and *Socio-Economic Review*, Gujarat, February 2010.

The changes that have occurred in the structure of employment and sources of incomes between 2004-05 and 2008-09 are quite striking: Though the share of the primary sector declined from 20.57%¹ in 2004-05 to 16.30% in 2008-09 in net state domestic product (NSDP), the share of the primary sector in employment has increased from 49.90% to 54.40% during the same period. This indicates a widening of the productivity gap between the primary and secondary sectors. In spite of the high growth rate of the state economy and of the agricultural sector, the Lewisian transfer of the workforce from the primary to the non-primary sectors is still a distant dream.

Characteristics of Labour Force

Workforce Participation Rates in Gujarat and India: Gujarat’s workforce participation rates (WPR) were clearly better than India’s (Table 3). In 2007-08, the rural WPR (principal and subsidiary status) in Gujarat was 48.7% against 42.2% in India. Similarly,

Table 3: Worker Participation Rate in Gujarat and India (1993-2008, in %)

	Gujarat						India					
	Principal			P+SS			Principal			P+SS		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
1993-94												
Rural	56.5	25.4	41.5	57.4	39.6	48.8	53.8	23.4	39.0	55.3	32.8	44.4
Urban	52.8	9.8	32.3	53.5	14.2	34.7	51.3	12.1	32.7	52.1	15.5	34.7
Total	-	-	-	-	-	-	-	-	-	-	-	-
2004-05												
Rural	57.7	26.3	42.5	57.9	37.8	48.2	53.7	22.4	38.4	54.9	31.0	43.3
Urban	57.5	9.3	35.2	57.7	12.5	36.8	53.4	12.1	33.6	54.0	14.3	35.0
Total	57.6	20.9	40.1	57.9	29.8	44.5	53.6	19.9	37.3	54.7	27.0	41.3
2007-08												
Rural	59.6	24.4	42.9	60.2	35.9	48.7	53.8	21.6	38.1	54.8	28.9	42.2
Urban	59.1	9.9	36.1	59.3	13.1	37.7	55.0	11.8	34.2	55.4	13.8	35.4
Total	59.4	19.1	40.4	59.9	29.6	44.7	54.1	19.0	37.1	55.0	27.0	40.4

P+SS: principal and subsidiary status.

Source: Relevant National Sample Survey Organisation (NSSO) rounds.

the urban WPR was 37.7% in Gujarat against 35.4% in India. A larger proportion of urban female workers worked as marginal workers in Gujarat compared to India.

Between 1993-94 and 2007-08, the rural WPR in Gujarat remained almost stagnant at 48.7%, while it declined in India from 44.4% in 1993-94 to 42.2% in 2007-08. The urban WPR increased in Gujarat (from 34.7% in 1993-94 to 37.7% in 2007-08) as well as in India (from 34.7% in 1993-94 to 35.4% in 2007-08), the increase in Gujarat being much higher than that in all India.

Unemployment Rates: Gujarat had lower unemployment rates compared to those of India. The rural rates were particularly much lower, 6.0%, 1.0% and 4.0%, respectively for men, women and for both, against the corresponding all-India rates of 10.1%, 4.1% and 7.1%, respectively (Table 4).

Table 4: Unemployment Rates in Gujarat (Principal and Subsidiary Status) (in %)

	Gujarat	India
	Rural	
Male	6.0	10.1
Female	1.0	4.1
Total	4.0	7.1
Urban		
Male	18.0	22.0
Female	4.0	11.0
Total	12.0	17.0

Source: NSSO round 2007-08.

Urban unemployment rates in Gujarat, though much higher than those in rural areas, were lower than the corresponding all-India rates. The higher urban rates can be explained by the fact that people in rural areas were able to take up some work or the other involving land, animals or forests (residual sectors) while those in urban areas did not have many residual sectors they could be employed in.

Employment Status of Workforce: Gujarat was in a relatively better position than India with a marginally higher percentage of regular workers among its total workers (2007-08). In the case of urban workers, 42.0% were regular workers against 41.2% in India, and in the case of rural workers, these were 8.0% and 7.3% respectively for Gujarat and India. There was not much difference between the shares of the self-employed and casual workers in Gujarat and India, the shares in India being marginally higher than those in Gujarat.

Between 2004-05 and 2007-08, one finds broadly similar trends in employment status in Gujarat and India (Table 5). In rural areas, a marginal decline in regular workers, an increase in casual workers and a decline in self-employment, all indicating an increase in the share of wage earners. The high rate of growth in agriculture was

not reflected all that much in employment status in Gujarat. In the case of urban areas, one observes an almost stagnant situation in India, while there was a decline in self-employment and an increase in wage labour in Gujarat. Both regular as well as casual wage labour increased in urban Gujarat.

In short, the above trends indicate that Gujarat is relatively better off in terms of overall levels of employment than India as a whole.

Issues in Quality of Employment

More than inadequacy of employment, poor quality of employment seems to be a major problem in Gujarat.

Share of Informal Workers in Total Workers: As is well known, there is a huge gap between the wages, terms of employment and working conditions of formal and informal workers. Formal or organised workers are covered by labour laws that provide social security such as provident funds and pensions, gratuities or severance benefits, medical leave and services under the Employees State Insurance Scheme (ESIS), maternity benefits and bonuses. Laws govern working conditions to ensure safety and security in the workplace and the workers come under the Industrial Relations Act and the Industrial Disputes Act. On the other hand, informal workers are covered only by some scattered labour laws, the benefits of which are low and uncertain. These laws have poor content and coverage and are implemented indifferently by the authorities.

The share of informal workers in total workers in India is 90.68%, 95.93% and 92.38% for men, women and both respectively. The corresponding figures in Gujarat are 88.60%, 97.59% and 91.59%, which implies that though the state is slightly better in the overall share of informal workers in total workers, it lags behind India in terms of women's share of informal workers in total women workers. Only 2.4% of women workers were in formal employment in Gujarat against 4.07% in India (NCEUS 2008). Kerala was at the top and far ahead of other states with an 81% share of informal workers, followed by Jammu and Kashmir (88%) and Maharashtra (89%). Gujarat, the fastest growing state, ranked 11 among the 20 major states in India in this respect.

It is important to note that formal employment in the public sector has declined in absolute terms in Gujarat, from 8.24 lakh in 2003-04 to 7.98 lakh in 2008-09. This decline has been primarily because the state government has almost frozen recruitment of

Table 5: Employment Status in Gujarat and India (percentage distribution)

	Rural Workers			Urban Workers		
	Self-employment	Regular Workers	Casual Workers	Self-employment	Regular Workers	Casual Workers
Gujarat						
1993-94	50.2	6.8	43.0	38.3	40.9	20.8
2004-05	59.8	8.7	31.5	44.3	38.9	16.8
2007-08	56.0	8.0	35.9	40.6	42.0	17.4
India						
1993-94	58.1	6.6	35.3	42.4	39.5	18.1
2004-05	58.7	7.9	33.5	42.6	41.4	15.7
2007-08	56.4	7.3	36.3	42.7	41.2	16.1

Source: Various NSSO rounds.

staff to reduce public expenditure. As we shall see later, this policy has resulted in a severe shortage of staff in implementing labour laws and labour-related schemes and programmes in the state. Organised or formal employment in the private sector increased in the state from 8.36 lakh in 2003-04 to 11.06 lakh in 2008-09. The overall annual growth of organised employment in the state was only 0.5% during 1995-2008 against a more than 8% growth rate in GDP, and during the high growth period (2000-08), it was 1.6% (Table 6). Though the performance of the private sector during the past five to six years has been positive, the high growth rate in GDP was not really reflected in the growth of organised employment in the state.

Table 6: Employment Growth in Organised Sector in Gujarat (in %)

Industrial Classification	CAGR	CAGR	CAGR
	1995-2000	2001-2008	1995-2008
Agri, hunting, forestry and fishing	-4.7	3.0	0
Mining and quarrying	-3.1	-2.4	-3.5
Manufacturing	0.3	2.3	1.0
Electric, gas and water	0.4	2.8	1.6
Construction	-0.5	-2.8	-2.4
Transport, storage and communications	-0.2	-2.9	-1.7
Financing, insurance, real estate and business services	0.2	4.4	2.4
Community, social and personal services	-0.8	1.4	0.1
Total	-0.3	1.6	0.5

Source: Socio-Economic Survey 2008-09.

Rapidly Rising Capital Intensity of Economic Growth: The increasing capital intensity of the industrial sector is another striking feature in Gujarat. In 2007-08, Gujarat was ranked first among the 20 major Indian states in terms of fixed capital investment, second in terms of total invested capital and fourth in terms of total number of factories, but its rank was 18 in labour-capital ratio. The employment generated per crore of capital investment as well as the employment generated per crore of output in the industrial sector (*Annual Survey of Industries* or ASI) has consistently fallen in the state. In the factory sector, where fixed capital investment grew by 7.7% annually during 1998-2008 and the total invested capital by 9.1%, the number of workers increased only by 2.8% (Table 7).

The decline in the number of factories by 0.23% in spite of a 9.1% increase in the total invested capital per year indicates that the average invested capital per factory has increased 2.5 times in less than a decade, from Rs 566.93 crore in 1998-99 to Rs 1,387.16 crore in 2007-08. During the same period, the share of wages as a percentage of net value added declined by 3.25% per year, from 11.83% in 1998-2000 to 8.5% in 2007-08. That is, organised workers in the ASI sector received only 8.5% of the value added and the rest went largely to profits. It is important to note that Gujarat is ranked 15 in the share

Table 7: Industrial Growth, Employment and Share of Wages in the ASI Sector

	1998-99	2001-02	2003-04	2005-06	2007-08	CARD 1998-08
Number of factories	15,455	13,950	12,795	14,055	15,107	-0.23
Fixed capital investment in industry (Rs)	69,47,655	87,07,855	85,78,858	1,19,53,996	1,45,40,034	7.7
Total invested capital (Rs)	87,61,928	1,11,06,001	1,15,02,721	1,63,97,187	2,09,55,836	9.1
Workers in factory sector	6,07,763	5,21,528	5,38,080	6,69,324	7,97,443	2.8
Capital invested per worker (Rs)	11.43	16.69	15.94	17.85	18.23	
Labour/capital	0.07	0.05	0.05	0.04	0.04	-5.83
Wages as % of net value added	11.83	14.96	9.66	7.67	8.52	-3.25

Source: Reports of *Annual Survey of Industries*.

of wages in the net value added in the ASI sector. Kerala is at the top with 22.47% share of wages, followed by West Bengal (21.89%), Tamil Nadu (16.37%) and Punjab (15.27%). Clearly, the gains in productivity are not passed on to ASI sector workers in Gujarat.

Wages in the Organised and Unorganised Sectors: The rapid growth of GDP in Gujarat has been accompanied by a very low increase in wages, implying once again that the gains of rising productivity have not been passed on to workers.

In 2007-08, the daily wage rate of casual male workers in rural areas, who constituted 92% of the total workforce in rural areas, was Rs 68.53 and of casual female workers, who constituted 97% of the total female workforce in rural areas, was Rs 58.97 (Table 8). The corresponding rates in India were Rs 75.30 and Rs 62.26. In spite of the "miracle" growth rate in agriculture during this period,

Table 8: Daily Wages Rates of Casual and Regular Workers in Rural and Urban Areas by Sex (15-59 years, in Rs)

	Gujarat		India	
	1999-2000	2007-08	2005-06	2007-08
Casual workers				
Rural male	43.91	68.53	44.84	75.30
Rank	9	14	-	-
Rural female	34.43	58.97	29.01	51.17
Rank	8	8	-	-
Urban male	67.13	108.76	62.26	104.63
Rank	8	8	-	-
Urban female	40.12	55.75	37.71	59.57
Rank	9	14	-	-
Regular workers				
Rural male		152.07		175.3
Rank		17		
Rural female		107.60		108.14
Rank		9		
Urban male		215.02		276.04
Rank		18		
Urban female		181.95		212.86
Rank		13		

(1) Wage rates are in nominal terms; (2) Rank of Gujarat is among the 20 major states in India. Source: NSSO Reports, 1999-2000 and 2007-08.

In 2007-08, Gujarat slipped in rank and stood 14th with respect to the male wage rate and 8th with respect to the female wage rate among the 20 major states in India. In the case of urban casual workers, the state ranked 7th with respect to male workers and 14th with respect to female workers in 2007-08. Gujarat slipped from the 9th rank in 1999-2000 to the 14th rank in the case of female workers and maintained its 8th rank in the case of urban casual workers. It is important to note that in the case of the daily wage rate of casual male workers, Gujarat's rate is lower than that in India as a whole.

In the case of regular workers, the situation was slightly better.

Regular workers in rural areas constituted about 8% of the total workforce and were employed mainly in non-agricultural ventures, many in skilled or semi-skilled jobs. In the case of urban areas, they were usually in skilled and semi-skilled jobs. In 2007-08, the average daily wage rate of rural regular workers was Rs 152.07 for male workers and Rs 107.60 for female workers, with the state ranking 17 in the case of male workers and nine in the case of

female workers among the 20 major states in India. The corresponding rates for urban areas were Rs 215.02 and Rs 181.95 for male and female workers respectively, with the state ranking 18 and 13 for male and female workers respectively among the 20 major states in India.

In brief, the fastest growing state in India has shown one of the poorest performances as far as wages are concerned.

Recent Amendments in Labour Laws

Though no major reforms have taken place in labour laws in India or in Gujarat since the economic reforms were initiated, some changes in enforcement have been made through Supreme Court judgments as well as changes in some rules, standing orders, and the like by both the central and state governments. These seem to have had a significant impact on labour.

Self-certification cum Consolidated Annual Return Scheme:

The Government of India introduced a provision (December 2003) permitting self-certification by units covered under labour laws. Under this, a unit can make a “self-declaration” in front of a Class II officer that it “follows all the concerned labour laws”. Such units get freedom from routine inspections by the labour department. The main objective behind this provision is to avoid an “inspector raj” and “unnecessary” litigation and to promote a friendly relationship between the labour department and units. As a senior labour officer in Gujarat put it, the government wanted to be a friend, philosopher and guide to the units and promote a healthy relationship.

Under this provision, the labour department in Gujarat is expected to check units every two years to see whether they are complying with labour laws. The department can also receive complaints from workers or the parties concerned if the laws are violated. So far, only 232 of about 35,000 factories and 12 lakh units in the state registered under the Shops and Establishment Act have opted for “self-certification”. It appears that self-certification is not very popular in Gujarat (and also in India), whatever be the reasons. So “inspection” remains a major task for the government and it needs an adequate number of officers and staff for this purpose.

Labour Judiciary: No Work, No Pay: Another major change with far-reaching consequences has come through a judgment of the Supreme Court regarding termination of employment. According to this, if a worker is terminated illegally and reinstated by the employer after an order of a labour court, he or she is not entitled to any payment for the period for which he or she was terminated. That is, “no work, no pay” even for an illegally terminated worker. This is not justifiable because units can now throw workers out illegally without worrying about the payment of back wages if they are reinstated. What is worse, workers are not likely to go to the labour court because they do not have enough money to pay a lawyer. In other words, no worker is in a position to fight if he or she is illegally terminated.

This judgment has also weakened trade unions because workers do not have the money to pay unions to protect their rights. The only beneficiary is the management, which has the freedom of throwing workers out without worrying about their reinstatement.

Amendment to Industrial Dispute Act 1947 for SEZs: A major amendment has been made to Chapter V-D of the Industrial Dispute Act 1947. According to this, workers employed in special economic zones (SEZs) do not have the right to complain if they are thrown out of their jobs. However, they will get retrenchment compensation of 45 days for a year of work rather than the 15 days given to other workers. This amendment gives units in SEZs the freedom to get rid of workers when it suits them and also weakens the power of workers to fight against illegal retrenchment.

Insertion of the Term ‘Fixed Term Employment’ in the Industrial Employment (Standing Orders) Act 1946:

According to an amendment to the Standing Orders, a new term “fixed term employment” has been introduced in the Industrial Employment Act. It allows units to employ workers for “fixed terms”. These workers are not “contract workers” but are still workers employed on contracts. The permission given to employers to appoint workers for fixed terms implies that the earlier employment security of workers is no longer there. The amendment is reasonable if one considers that units frequently need workers for short periods and not on a permanent basis. However, with no employment security, workers need adequate opportunities to find alternative employment in the labour market.

Reduction in the Number of Registers to be Kept under Labour Laws:

Another major change is the reduction in the number of registers to be maintained under labour laws to two. This is meant to reduce the number of “inspectors” and weaken “inspector raj”.

On the whole, the above amendments provide more flexibility to production units in the state and favour employers more than employees.

Enforcement of Labour Laws: Labour Department

One observes that the capability of the labour department in Gujarat to enforce labour laws is far from adequate. It has declined considerably in the past two decades. The Directorate of Industrial Safety and Occupational Health, the organisation in charge of enforcement of labour laws in both the organised and unorganised sectors, suffers from a severe shortage of staff. The requirement of labour officers for only the factory sector in the state, as per ILO norms, is 232 (one labour officer per 150 factories, and there are 34,860 factories). Against this, the sanctioned posts are 154 (Class I and II) officers, which is two-thirds of the requirement. Of these, 46 posts (30% of the sanctioned posts) have been vacant for the past year or more (2010). With the ever rising number of factories, as well as the expanded purview of the directorate over unorganised units and its mandate to pay special attention to chemical factories in the state, the existing staff strength is far from adequate. There is also a severe shortage of Class III and IV staff, where 30% of the sanctioned posts are vacant (2010). As was pointed out by a senior officer, their job is now “fire fighting” and “crisis management”, not enforcing labour laws.

In spite of the rising number of factories and non-factory industrial units in Bhavnagar and Junagadh divisions, for example, there is no full-time labour officer in these divisions (2010). Similarly, Surat and its surrounding region is a major industrial centre

with units such as those engaged in diamond cutting and polishing, brocade and embroidery, power looms and textiles, and food processing. The office of the Assistant Director of Industrial Safety and Health in Surat division has only 19 sanctioned posts (the requirement is more than 50), of which six are filled and 13 are vacant (2010). The deputy labour commissioner's office, Surat city, has only three officers, including the deputy labour commissioner. In 1993, there were nine officers, but after the rapid growth of industries in Surat, the number declined to three. The day we visited the office, the entire staff was away on census duty. As the boss sitting in the office pointed out, "Closing the labour department will not make any difference to labour in the city." In Navsari and Vapi divisions (two major industrial centres in south Gujarat), there are two sanctioned posts each. However, one post was vacant in each of the divisions. In Valsad, another major industrial centre, there was only one sanctioned post and it was vacant (2010).

The department of labour is therefore not in a position to conduct inspections. It is not even in a position to attend to complaints, let alone enforce labour laws. Its officers and staff are unmotivated and frustrated, and have little enthusiasm to enforce labour laws. In addition, there are political pressures frequently working on them.² Many of them have become corrupt in this environment.³

Labour Laws for Unorganised Workers

There are several special labour laws enacted by Government of India for unorganised or informal workers. Though these laws are not comprehensive in the sense that they fail to cover all aspects of regulation, they do cover several important dimensions of employing unorganised workers. The major labour laws here are the Minimum Wages Act 1948, the Contract Labour (Regulation and Abolition) Act 1972, the Inter-State Migrant Workers (Regulation of Employment and Conditions of Services) Act 1979, the Equal Remuneration Act 1976 and the Child Labour Act (Prohibition and Regulation) 1986. The labour department in Gujarat is expected to enforce these laws for unorganised workers, who constitute 92% of the total workers in the state.

It is clear that these workers with no security of employment are not likely to complain about non-payment of minimum wages or violation of labour laws. So, regular inspections by labour officers would be a major way of enforcing these labour laws. Table 9 presents the number of inspections conducted by the Labour Commissionerate in Gujarat.

Table 9: Number of Inspections Made Under the Different Labour Laws (2008)

Labour Law	Number of Inspections	Number of Prosecutions Launched	Number of Total Beneficiaries
Minimum Wages Act	12,398	2,633	9,227
Contract Labour Act	5,629	351	11,201
Child Labour Act	10,242	235	31
Inter-State Migrant Workers Act	428	21	42
Equal Remuneration Act	2,093	45	7

Source: The website of the Labour Commissioner's office, Government of Gujarat (2010).

There are no clear norms for the labour department on how many inspections are necessary for enforcing these labour laws.⁴ But if one goes by the norms recommended by the Satem Committee for unorganised workers set up by the Government of India in 1980, one labour officer is needed for 10,000 workers

and he or she is expected to conduct 100 inspections a month to enforce a labour law. Assessed against this norm, the number of inspections carried out in Gujarat is woefully inadequate.

The Minimum Wages Act 1948 is important because it enforces legally fixed wage rates in different occupations. The Gujarat government has fixed minimum wages, by ordinances, for 51 scheduled occupations, which cover agriculture, and other occupations in the primary, secondary and territory sectors. The total workers covered are more than 140 lakh, including 85-90 lakh rural workers. The Rural Labour Commissionerate enforces minimum wages in 13 rural sectors, including agriculture, while the Labour Commissionerate enforces the wages in 38 occupations that cover about 35 to 40 lakh workers.

The number of inspections conducted under this Act was 12,398 in 2008 (14,901 in 2006 and 18,430 in 2004) against the required number of 4,20,000. The number of prosecutions launched was 2,633 and the number of beneficiaries was 9,227 in the same year. Similarly, the number of inspections made under the Contract Workers Act (5,629 in 2008) was inadequate. The number of prosecutions launched under the Act was 351 and the total number of beneficiaries was 11,201.

As for Child Labour (Prohibition and Regulation) Act 1986 and the Child Labour (Prohibition and Regulation) Rules, 10,242 inspections were carried out, 235 prosecutions were launched and 31 cases were disposed of. There are no estimates available on child labour in the state if one goes strictly by the definition underlying the Act or by the definition of the ILO.⁵ A Public Hearing on Child Labour (*My Story-My Dream*), organised by Child's Rights Collective Gujarat, Save the Children, and Campaign against Child Labour, in December 2010 in Ahmedabad gave a startling picture of child labour in the state. A study of 882 villages in four districts of Gujarat conducted by Child's Rights Collective Gujarat showed that there were 35,582 children in the age group of seven to 14 years who were out of school and working in different areas. That included activities such as BT cotton cultivation (a star crop in Gujarat's rapid agricultural growth),⁶ cutting sugar cane, animal husbandry, gathering salt, rag picking, home-based activities such as incense stick manufacturing, garment making and bidi rolling, collecting forest products, fishing and processing and other unskilled casual work in the agricultural and non-agricultural sectors. The number of children came to 21% of the total children in the seven to 14 age group who did not go to school (CRC 2010).

The Inter-State Migrant Workers Act is another important law for unorganised workers. It has been observed that Gujarat attracts a large number of workers from not only neighbouring states such as Rajasthan, Madhya Pradesh and Maharashtra but also distant ones such as Bihar, Orissa, Uttar Pradesh, Chhattisgarh and Jharkhand. There is also considerable intra-state migration to areas of high growth. In 2008, 428 inspections were carried out under the Act, no prosecution was launched and no convictions were made. The number of prosecutions was nine in 2002, 10 in 2005, three in 2007, 21 in 2007 and zero in 2008. The number of inspections conducted under the Equal Remuneration Act 1976 was 1,186 in 2009. Under it, 563 prosecutions were launched and six cases were disposed of.

To summarise, the labour department has accomplished only a fraction of what it was required to.

Unorganised Workers' Board

The government of Gujarat is one of the few state governments in India to set up an Unorganised Workers Board for unorganised or informal workers in the state. This board was set up in 2007 with the objective of protecting the interests of workers employed in non-agricultural units in the state. It covers more than 30 lakh workers employed in a variety of unorganised ventures in the state. The budget of the board was Rs 50 lakh in 2007-08 and Rs 16.70 lakh in 2009-10. The total number of sanctioned posts of officers under this board was 66, 11 in the head office at Ahmedabad and 55 in the four divisions in the state. In 2010, the sanctioned posts were 106, against which only 66 were filled (Government of Gujarat website).

The main task of the board, as decided officially, is to help workers in accessing schemes related to health, providing health check-ups in health camps, helping skill development (up to Rs 1,000 per worker) and providing tool kit assistance (up to Rs 300 per worker). So far 42,447 workers have been registered under the board. In all, Rs 27.7 lakh was spent on 3,247 workers (Rs 853 per worker) in 2008-09 and Rs 28.67 lakh on 7,408 workers in 2009-10 (Rs 387.03 per worker). It is very evident that the board has not yet been able to make much of an impact on unorganised workers in the state.

Table 10: Activities of Unorganised Workers' Board

	Total Beneficiaries		Total Expenditure (in Rs)	
	2008-09	2009-10	2008-09	2009-10
Total Registration	42,447			
Efficient development training	1,556	2,341	14,82,320	20,44,590
Security equipment kit	1,533	4,813	11,39,732.50	5,66,600
Medical grant	158	254	1,49,962	2,55,976

Source: Website of Labour Commissionerate, Government of Gujarat (2010).

Rural Labour Commissionerate

Once again, Gujarat was one of the first states in India to set up a Rural Labour Commissionerate in 1981 to take various measures "to improve the conditions of unorganised rural labour and to protect them against exploitation and malpractices of their employers" (RLC website). The Rural Workers Welfare Board was set up under the Commissionerate to carry out its activities in an autonomous manner. In the initial years, the board was entrusted with a number of activities, which included enforcing the relevant labour laws, implementing different social security and welfare schemes and promoting organisations of rural workers. Honorary rural organisers were appointed to educate and promote organisation of workers, to enforce labour laws and implement welfare schemes through Rural Workers Welfare Centres set up all over the state. At present, however, the Rural Workers Welfare Board is no more involved in activities to organise workers. It has 359 Rural Workers Welfare Centres spread over the state, each headed by an honorary worker (45 centres do not have a head now). An honorary worker is not a full-time worker, and his or her job is to help rural labour in accessing social security schemes.⁷

The Rural Labour Commissionerate is entrusted with the responsibility of implementing the following Acts in rural areas – the Minimum Wages Act 1948, the Bonded Labour (Abolition) Act 1976, the Equal Remuneration Act 1976, the Child Labour (Prohibition and Regulation) Act 1986 and Inter-State Migrant

Workers (Regulation of Employment and Conditions of Services) Act 1979. In 1981, according to the norms, a government labour officer (GLO) was appointed at the district level and one assistant GLO at the block level under the assumption that there were about 10,000 agricultural labourers in each block. At present, there are 26 districts and 225 blocks and about 85 lakh agricultural workers in the state. However, there are only 20 GLOs and 92 assistant GLOs against the 26 GLOs and 225 assistant GLOs required (or 850 as per the norms of the Satem Committee).

The Minimum Wages Act covers 13 occupations in rural areas, which include more than 85 lakh workers. The prevalent average daily wage rate of Rs 68 for casual workers (NSSO 2007-08) against the legal rate of Rs 100 a day⁸ clearly indicates large-scale violation of the Act. However, the total inspections carried out were 84,610 in 2009-10 (91,921 in 2008-09), which again was a minuscule part of what was required. In all, 46 prosecutions were launched in the case of agricultural workers and 104 for other rural workers. No evaluation has been conducted on the enforcement of minimum wages in rural areas (and in all the state) by an official or outside agency. No data on prevailing wage rates are collected by the government through its agencies or non-government ones.

The activities of the Rural Labour Commissionerate have been on a subdued scale. During the Tenth Five-Year Plan (2002-07), Rs 2,127 lakh was spent and 2,073 workers were benefited through different schemes. In the Eleventh Plan, the total outlay of the Rural Labour Commissionerate is Rs 2,550 lakh. In a nutshell, with limited funds and limited staff, not much is being done in terms of either enforcing labour laws or implementing welfare schemes.

Global Crisis and the Diamond Industry

It would be useful in this context to examine how unprotected (global) workers in the state managed during the recent global crisis (2009). A study on the impact of the global crisis on workers and small producers in the diamond cutting and polishing industry in Gujarat (Hirway 2009a, b) is used here for the purpose. Diamond cutting and polishing is one of the most globalised industries in India as its main raw material, raw diamond, is imported and 75% to 80% of the polished diamonds are exported. The share of diamonds in the total commodity exports from India is 12.4% (Centre for Monitoring Indian Economy 2008). About 80% of the diamond cutting and polishing in the country is done in Gujarat. Since this industry exports a large part of the finished diamonds to the European Union and North America, the global crisis severely affected it and its workers.

The study showed that about 45% of the industry's workers lost their jobs while 55% had less work at lower wages in the same industry (Hirway 2009a, b). Though one-third of the workers who lost jobs took up whatever alternative work was available, the remaining remained unemployed. Their wages fell by 48% and monthly incomes by about 50%. In the process, many workers experienced a decline in their employment status (from regular workers to casual workers) and moved from skilled to unskilled work, implying a loss of skills for the economy. The help received from the government, the industry association and non-governmental organisations (NGOs) in this crisis was limited in both content and coverage. Though 30% of the workers received some assistance in cash

or kind, it was far from adequate. Help in finding new jobs was available to hardly 10% of the workers, that too through friends and relatives. In sum, the vast majority of these unprotected workers were left to fend for themselves.

The coping strategies of these workers included pawning or selling assets and borrowing at high rates of interest. When this proved inadequate, they drastically cut down on consumption. About 80% of the households reduced their food consumption; 84% reduced expenses on education by withdrawing children (mainly girls) from school or sending children to cheaper schools; and two-thirds of the households reduced their health expenditure by avoiding going to hospitals. The workers suffered from not eating enough, leading to increased poverty and a slow down in human development. About 25% of the workers, who migrated back to their villages, found themselves worse off with few employment opportunities, lower wage rates and lower incomes, and poor infrastructure for their families. Besides, they were depressing village economies by not sending remittances and depressing local wage rates by competing for jobs. The projects under the National Rural Employment Guarantee Act (NREGA) did not offer them much relief.

Women bore the brunt of the crisis. More than two-thirds of the households sent women members to work, 17% for part-time work and 51% for full-time work. Most of these women took up whatever work was available, which meant low productivity, low-wage work. About a fourth of the households reported an increase in unpaid work by women – a number of market activities entered the domestic sphere, significantly increasing the burden of women. In addition, women were subject to increased tensions, domestic violence and depression. There was neither data nor measures to bail out women, who, as producers, wage earners and home makers, endured a heavy burden during the crisis.

Small producers suffered the most among the producers because they were the worst hit by the credit crunch. Since they did not directly deal with exports and imports, the crisis was passed on to them by large producers. Hirway's 2009 (a,b) study draws attention to the plight of workers in this globalised sector in a globalised state. It exposes the weaknesses and critical gaps in the policies pertaining to labour and small producers on the one hand and in trade and industrial policies on the other hand.

The absence of data became an obstacle to reaching affected workers because there were no proper records of diamond units or workers with the government. Though there were more than 7,000 to 10,000 diamond cutting and polishing units in Gujarat and though by an order of the Gujarat High Court they were all covered by the Factories Act, only 521 units were registered under the Factories Act. The main reason for this is that producers did not want to give their workers the benefits of social protection and did not want working conditions to be regulated by the government.

Even after the crisis, the state government has done nothing in this area. Perhaps the most impressive achievement was that the number of registered diamond units increased insignificantly from 532 to 555 in 2009. The important point is that with improving global markets, the diamond industry has begun growing again but no lesson has been learnt. There has been no providing social protection to workers, no ensuring them a right

to basic education and primary health and no minimum support for small producers.

Emerging Issues

The discussion above has drawn attention to the plight of labour, in both the formal and informal sectors, in globalising Gujarat. It is clear that labour in the state is basically viewed as a mere factor of production to promote economic growth – and to inflate the profit margins of the corporate sector and promote reinvestment of savings. However, this has adversely affected the economy and the well-being of people in multiple ways, raising several critical issues for policymakers.

Slipping in Poverty Reduction, Human Development and Hunger Indices:

There is now enough evidence to show that Gujarat's performance in poverty reduction and human development in the recent years has been quite poor compared to other Indian states, which are growing at a much lower rate than it is. Though the WPR in Gujarat is better compared to other states, the employment generated is of poor quality, resulting in the state slipping in poverty reduction and human development.

According to official data, the elasticity of poverty reduction to growth was -0.32 in Gujarat during 1993-2005, with the state ranking 14 among the 20 major states in poverty reduction. That is, 13 states were ahead of Gujarat in poverty reduction though they were behind it in growth of GDP. The state slipped from the 8th to 12th rank in rural poverty and from 6th to 8th rank in overall poverty (Planning Commission 2009). In the human development index, the state slipped from the 5th rank in 1996 (HDI of 0.550) to the 9th rank in 2006 (HDI of 0.643) (Government of India 2008). In the health index, the state slipped from the 9th rank to 10th, while in the education index it slipped from the 7th rank to 8th among the 20 major states in India.

The relatively high percentage of working poor in the state is also reflected in the hunger index. According to the recently released report on Global Hunger Index brought out by the International Food Policy Research Institute (IFPRI), Washington DC, India ranks 66 among the 88 countries for which the index has been prepared. The report also notes that the five worst performing states in India are Gujarat, Bihar, Madhya Pradesh, Chhattisgarh and Jharkhand. Gujarat is in the "alarming Category", and ranks 13 among 17 major Indian states for which the index has been compiled (IFPRI 2009).

Rising Inequalities and Sustainability of Economic Growth:

Another major consequence of the unfair deal to labour in Gujarat is high inequalities of income with the rapidly rising share of profits in the economy. According to the National Council for Applied Economic Research (NCAER), the Gini coefficient of incomes in Gujarat is 0.47, which is extremely high (Shukla 2010). This high inequality can have serious social and political consequences, which create threats to law and order situation in the state.

In addition, the declining share of wages in GDP can create aggregate demand deficiency because the purchasing power of the workforce is low and the propensity to consume among those who receive the major benefits of growth is also low. Aggregate demand

deficiency will adversely affect the sustainability of growth. Alternatively, it will increase the dependence of the economy on export markets, pushing it into the trap of a vicious circle of exports and growth.

Denying a Fair Share to Labour and Providing Extra Incentives to Capital:

In the final analysis, it appears that economic reforms in Gujarat have been translated into denying a fair share to labour and providing extra incentives to capital. As the different industrial policies declared by the Gujarat government from time to time show (it is interesting to note that the state government has announced an industrial policy every few years to attract investments – the Gujarat Industrial Policy 2000, Gujarat Industrial Policy 2003, Gujarat Industrial Policy 2009 and the proposed Gujarat Industrial Policy 2011), industries in the state are entitled to a large number of incentives, subsidies and other benefits, such as sales tax subsidy, capital cash subsidy, interest subsidy, infrastructure subsidy, support in land conversion, access to water supply, and so on (website of the Industry Commissioner, Gujarat). The official data show that between 1991 and 2004-05 the state government gave sales tax subsidies worth Rs 52,477 crore and capital subsidies of Rs 769 crore to private industries. In addition, Rs 5,040 crore was given as subsidy under the “Kachchh package”. It is difficult to say whether these incentives were market-friendly or whether they reflected crony capitalism, generally understood

to be a system under which the success of private business is determined not by a free market but by favouritism extended by the state in the form of tax breaks, grants and other incentives.

Fair Deal to Labour Could Be a Major Macroeconomic Strategy to Equitable Growth:

It needs to be underlined that ensuring a just share of returns to labour is not rejected by any neo-liberal policy. Providing a just share to labour by ensuring workers minimum (or fair) wages, safe working conditions and minimum social protection will have several positive macroeconomic effects on the economy. Apart from ensuring the well-being of workers, which has its own intrinsic value, these policies will expand the domestic market and promote growth in the state; promote labour-intensive growth since this growth will expand the markets for wage goods; and ensure an equitable growth that is socially and politically sustainable. That is, a fair deal to labour will be an important strategy for improving the quality of growth.

While concluding this essay, it is important to note that the distortions in the Gujarat model are also there in the Indian growth model. The only difference is that the distortions in Gujarat are very conspicuous because the state has a rich, enterprising population and a government committed to supporting the corporate sector. And it is obvious that the Gujarat model is neither sustainable nor a “role model” for other states.

NOTES

- 1 This does not mean any decline in the primary sector's contribution to NSDP (agriculture grew at a high rate during this period). It only means that the non-primary sectors have grown much faster, resulting in a decline in the share of the primary sector in NSDP.
- 2 Based on our discussions with senior officials of the Labour Commissionerate, Gandhinagar, and of the Divisional Offices of the Labour Commissionerate in Surat, Valsad and Vapi.
- 3 Ibid.
- 4 Based on our discussions with senior officers of the Labour Commissionerate and the Rural Labour Commissionerate in Gandhinagar and Ahmedabad.
- 5 According to ILO Recommendation 190, child labour includes, among other things, “(a) work which exposes children to physical, psychological or sexual abuse; (b) work underground, under water, at dangerous heights or in confined spaces; (c) work with dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads; (d) work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health; (e) work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.”
- 6 See the “Report of Save the Children on Child Labour in Agriculture in Gujarat: The Price of Childhood”, a discussion paper, Save the Children, New Delhi.
- 7 This includes old age pension schemes, maternity schemes, schemes for treatment of critical illnesses such as cancer and heart and kidney conditions, and welfare schemes for salt workers as well as the Swasthya Bima Yojana for below poverty line households and a group insurance scheme for agricultural workers.
- 8 According to the revised minimum wages in July 2008, the daily wage rate is Rs 100 (this was Rs 50 till July 2008), Rs 36,500 is the annual wage rate for permanent workers and Rs 170 a day for

workers cutting sugar cane. Also see Government of Gujarat (2010).

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