

# Contractualisation of Labour in the Organised Manufacturing Industry

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## Abstract

The employment fabric of our economy has been undergoing certain structural changes with the onset of globalization. A major chunk of newly created jobs in the organised manufacturing sector falls in the contractual category. There has been an increasing use of contract workers in the organised manufacturing segment. The paper examines the patterns and ramifications of the contractualisation phenomenon in the organised manufacturing sector.

## I. INTRODUCTION

It is an indisputable fact that globalization has been accelerating. International competitiveness has become the success mantra. Countries have been liberalizing their labour markets to become investment-friendly and employment-friendly. Employment relations have been undergoing sea changes. A major chunk of jobs created is by and large contractual. These 'Paradigm Shifts' have wider implications. The present study examines the implications of contractualisation on the quality and quantity of employment in India's organised manufacturing sector.

## II. LITERATURE REVIEW

A couple of studies have shown that labour regulations have been responsible for the proliferation of contract workers in organized manufacturing industry (Sen et al. 2010; Saha, et al. 2013; Ramaswamy, 2003). Some studies (Goldar and Aggarwal, 2012) have demonstrated that import competition has accelerated the contractualisation phenomenon in the organised segment. Deshpande, et al. (2004) has shown that the percentage share of permanent manual employment had decreased and that of casual employment among non-permanent employees had increased. It has also been established that the minimum wage law is being circumvented (Sharma and Sasikumar, 1996; Rajeev, 2006). Many scholars (e.g., Dutta, 2003; Ramaswamy, 2003; Sharma, 2006; Gupta et al., 2008; Ahsan and Pagés, 2008) are of the view that that the use of informal workers provides a means of getting around the labour regulations.

The studies cited above are either micro-level studies or case studies. The present study is very much relevant because it is comprehensive in nature. It is based on the entire organised manufacturing sector. There are two categories of workers in the organised manufacturing sector; permanent workers and non-permanent workers. Non-permanent workers are outside the ambit of labour regulations and out of the job security network. The focal point of this study is one prominent group among non-permanent workers - the contract workers.

## III. SOURCE OF DATA

This study is based on the data obtained from the Annual Survey of Industries (ASI). ASI covers the industrial units registered under the Factories Act, 1948. The data consist of two series corresponding to: (a) the census sector, and (b) the factory sector. The census sector consists of only those units, which employ, on an average, 50 workers or more (with the aid of power), and 100 persons or more (without the aid of power). The factory sector includes units, which employ more than 10 workers

## IV. CONTRACTUALISATION: PAN-INDIA TRENDS

Table 1 clearly demonstrates that the number of contract workers increased from around 9 lakh to approximately 15 lakh from 1995-96 to 2003-04. The annual growth rate of direct workers was at 3.54 per cent while that of total workers during the same period was -1.91 per cent. It is worth noticing that the sole component has been continually registering a positive growth rate is 'contract workers.'

TABLE 1  
**PERMANENT WORKERS (DIRECTLY EMPLOYED) & CONTRACT WORKERS: NUMBER AND GROWTH RATE**

Year	Number of workers	Rate of Growth	Employed Directly	Rate of Growth	Employed Via Contractors	Rate of Growth
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	-0.3
1998-99	6074235	-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	1.52
2001-02	5780845	-2.97	4530091	-4.61	1250754	3.49
2002-03	5981672	3.47	4611623	1.80	1370052	9.54
2003-04	6086908	-1.91	4591237	-3.54	1495671	9.17
<b>Average</b>		-1.91		-3.54		7.01

Source: Annual Survey of Industries

Table 2 unambiguously establishes a fact. The share of contract workers has increased from 14 per cent to 25 per cent. In other words, 'contract work intensity' has been on a consistent increase. In 1995-96, the ratio of contract workers to that of direct workers was 15:100 and by 2003-04, the ratio was 33:100. This ratio has never declined. It is a plain truth that contract work is increasing by axing direct work. In a nutshell, it is an irrefutable fact that contract work is on the rise displacing permanent work.

TABLE 2  
**DIRECT WORKERS AND WORKERS EMPLOYED THROUGH CONTRACTOR**

Year	Employed Via Contractors	Employed Via Contractor/Worker (%)	Employed Via Contractor/ Employed Directly (In '00)
1995-96	904715	13.17	15.16
1996-97	1058870	16.58	19.88
1997-98	1055405	16.51	17.77
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: Annual Survey of Industries

#### V. ANALYSIS: STATE LEVEL

Table 3 delves in to this arena. It shows an increase in the average share of contract workers to that of total workers across states from 14 per cent in 1995-96 to 23 per cent by 2003-04. Here, I make an attempt to examine the 'diffusion' of contractualisation using coefficient of variation. Coefficient of variation (CV) is a useful statistical tool for comparing the degree of variation. The data prove beyond any reasonable doubt the fact that the 'spread' has been falling.

TABLE 3  
**AVERAGE DIFFUSION OF CONTRACT WORKER INTENSITY ACROSS INDIAN STATES**

Year	Average share of contract workers to total workers	CV (Coefficient of variation)
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: Annual Survey of Industries

## VI. CONCLUSION

It is an undeniable fact that the Indian manufacturing sector has been 'contractualising' its workforce. Firms use casual and contract workers to achieve the so-called 'labour flexibility.' Non-regular workers do not fall under the purview of the labour laws and are not represented by trade unions. The number of non-regular workers, especially contract workers, increased considerably in the post-liberalization period. The increasing contractualisation of workforce has deteriorated the quality of jobs which are being created. It strips the workers off legitimate benefits. The space for collective bargaining has been shrinking. The need of the hour is to adopt a cautious approach towards labour market flexibility. The need of the hour is to design a framework, which combines the efficiency of the enterprises with the interests of workers. The most important conclusion that follows from the analysis is that the objective of labour reforms should be 'maximizing employment', in terms of quantity and quality and social development.

## VII. REFERENCES

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