



NEWS RELEASE

Indian industry dependent on a forgotten workforce, new study reveals

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A new study on the use of contract labour in India's manufacturing sector has found surprisingly high levels of contract workers being used – in some cases, as many as three times the official estimate.

Contract workers are recruited informally to established businesses via intermediaries. The findings suggest that some of India's key industries, such as cement, iron and steel, cotton textiles and jute, rely on contract labour for as many of four out of every five workers.

The research, conducted across two major industrial states, West Bengal and Gujarat, also found that that minimum wage and other contract labour laws are widely violated. Many workers have no specific working hours or medical benefits, have very limited earned leave, and few safety arrangements for hazardous work. In Gujarat, none of the contract workers surveyed received Employee's State Insurance (ESI), although in West Bengal up to one in four did. The study found that contract labour regulations were not effective, even in West Bengal, where contract workers are largely recruited and controlled via trade unions. Workers in West Bengal were also less likely to be paid the minimum wage than in Gujarat.

Dr. Dibyendu Maiti from the Institute of Economic Growth (IEG) New Delhi, led the research for international research consortium Improving Institutions for Pro-Poor Growth (IPPG). Dr. Maiti explained: "India's Annual Survey of Industries, the official record of industrial statistics, puts the share of contract labour in organised manufacturing at 15 to 26% across these states. We found the share to be much higher - 60 to 70% in our sample states. This may be because we undertook extensive field work in our sample states: most official estimates of contract labour are based on secondary data, where it is likely that contract labour is being under-reported by employers."

Asked about the changes he would like to see, Dr. Maiti said: "Contract labour regulation exists and should be enforced effectively. Our study suggests the establishment of a vigilance committee, involving representatives from the Labour Department of the Indian Government and the workers community, to improve governance and transparency. In his Budget speech, the Finance Minister also stressed the need to improve quality of governance. We were surprised at the lack of duty of care shown by trade unions for contract or informal workers and would like to see improvements in this area."

IPPG joint director Professor Kunal Sen, of the University of Manchester, commented: "Since Gujarat and West Bengal are both heavily industrialised, and therefore representative of manufacturing across India, this study has significant implications nationwide. It also suggests that India's economic success is not improving the lives of contract and informal workers, who form the largest section of the economy and make a major contribution to the country's global success, and that effective political action is needed to make sure that economic growth is more inclusive."

Dr. Dibyendu Maiti presents his findings later this month at a conference in Delhi, where the keynote speaker will be Professor Arjun Sengupta, Chairman, National Commission for Enterprises in Unorganised Sector (NCEUS). The conference, *The Informal Sector in South Asia: Organisational Dynamics, Institutional Determinants, Interlinkages and Development*, jointly organised by Improving Institutions for Pro-Poor Growth and the Institute of Economic Growth, will be held at IEG Delhi on 27 and 28 July 2009.

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Contacts:

Media wishing to attend the conference plenary session on 27 July 2009 please email: dibyendu@iegindia.org.

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Notes to editors:

1. The contract worker study, *Delegation, contracts and enforcement in post-reform India: an institutional approach*, by Dr Dibyendu Maiti, undertook field work in Gujarat and West Bengal, looking at three common industries (cement, iron & steel, and cotton textiles) and one state-specific industry (jute in West Bengal and man-made fabric in Gujarat) from each. Both the study and Delhi conference form part of IPPG's work on the informal sector in India, led by Dibyendu Maiti of IEG and Sugata Marjit of the Centre for Studies in Social Sciences, Kolkata, India.
2. Dr Dibyendu Maiti is Assistant Professor, Indian Economic Service Section, Institute of Economic Growth (IEG) and is also a researcher with IPPG. Before joining IEG in 2008 he was RBI Fellow, Centre for Studies in Social Sciences, Calcutta and visited the University of Manchester, UK and the Max Planck Institute of Economics, Germany for postdoctoral research. Recent published work includes "Organisational Morphology of Rural Manufacturing and its Dynamics in Liberalised India", *Cambridge Journal of Economics*, 2008, 32 (4), 571-92 (<http://cje.oxfordjournals.org/cgi/reprint/32/4/577>) and his professional interests include organisational and institutional issues pertaining to the informal sector and pro-poor growth.
3. The **IPPG** Programme is the shorthand name for the **Research Programme Consortium on Improving Institutions for Pro-Poor Growth**. IPPG supports innovative research of the highest scholarly standards, and seeks to influence development policy and practice in the interests of the realisation of the aims of the Millennium Development Goals. IPPG has funded research projects across the Programme's three partners in Asia, Sub-Saharan Africa and Latin America. IPPG is funded by the UK Department for International Development (DFID).

The inspiration for the IPPG programme comes from two sources:

- The recognition that 'institutions' are best understood as relatively stable social and political arrangements, which include formal rules and laws as well as informal norms and conventions. Together, the interaction of political and economic institutions exercises an important influence on patterns and rates of economic growth.
- The recognition that while economic growth is a necessary condition for the sustainable reduction of poverty, it is not a sufficient condition. If the objectives that are reflected in the Millennium Development Goals are to be accomplished, it is necessary to think of ways in which growth can be made distinctly pro-poor.

Find out more, and download research, at: www.ippg.org.uk

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