

REORGANIZING INDUSTRY, DISORGANIZING WORKERS

[The informal sector, based on] low working capital, cheap labour and scuttling of all labour laws ... now threaten[s] the very existence ... of the organized sector.¹

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The previous chapter demonstrated that similar structural adjustment policies were not implemented in similar ways in India and Pakistan. Differences in labor institutions and organizations account for much of that variance. This chapter investigates the changing nature of employment and work in the Indian and Pakistani economies.

In India and Pakistan increasingly fewer workers are recognized under law as workers. This chapter underscores that strategies – both government and union – devised for a presumed future of formal production are now outdated. Not merely public sector employment but all of formal employment is in decline. The chapter explains why a new kind of union organization, focusing on securing protections and benefits for all workers, not only those in formal unions, has emerged. The final chapter, which follows, discusses organized labor's response to these significant changes in the nature of employment and work.

Labor forces in India and Pakistan

It is impossible to see the Indian or Pakistani labor forces well with existing labor force data alone. Some estimates are quite unreliable; basic definitions are restrictive, leaving many workers missing; and definitions, such as employment, are sometimes changed, destroying trend lines. These difficulties are multiplied when data are used comparatively. The government of Pakistan derives labor force statistics from a national labor force survey. The government of India, in contrast, uses figures reported – largely voluntarily – by establishments and unions. The differing bases for estimates make

comparison tricky. In each country, hundreds of millions of workers are not recognized statistically or legally. Nevertheless, with the aid of comparison over time, local and provincial surveys, and interviews with workers we can see trends: unemployment, informal terms of employment, and increasingly reliance on informal, especially female, labor.

The Indian labor force

According to the Indian Ministry of Labour, India's labor force consisted of approximately 368.97 million workers in 2000, 26.58 million of whom were unemployed seeking work.² In India, employment is defined to include anyone gainfully employed for at least one hour during the week under survey. Estimates for a more recent year are not available.

Indian labor statistical reporting has long made a distinction between "organized" and "unorganized" sectors, sometimes also called the "formal" and "informal" sectors. The application of that distinction in labor force surveys is limiting. The distinction was originally based on recognizing the contribution of organized labor to planned development, not on aiding the "unorganized." Whole categories of workers are considered "unorganized labour" according to their enterprises' size (measured by number of employees), ownership (public or private), industry (whether using electricity, whether a state government or central government subject) and location (whether in a union territory or in Jammu and Kashmir). But if one's "enterprise" is not specified as "unorganized," then one is not counted.

The government of India used to define formal sector workers as employees of all public sector enterprises, all electrified factories and companies employing more than ten people, and all non-electrified factories and companies employing more than 20 people. The formal sector is now defined as including all public sector employment and all private sector employment establishments employing ten or more people (or 25 or more in Mumbai and Kolkata). The number of employees in a single establishment, or whether or not electric power is used in that establishment might once have been a good way to gauge the relative sizes and growth rates of the formal and informal labor force. But these are no longer adequate indicators.

It is more useful to define formality and informality – as I will argue – with reference to whether workers are legally recognized as employees. Security guards are often working informally – without contracts – at public sector enterprises, such as Mumbai Airport. Thus, there is informal sector employment in the public sector. And there is formal sector employment in establishments employing fewer than ten people in the private sector. Thus, we need better ways to see workers.

The figures in table 4.2 significantly underestimate the size of the labor force, especially in industries with few employees per firm. For example, a much larger portion of work in construction and manufacturing is performed

Table 4.1 India: labor force data, 1999–2003

population (2003)	1,064.40 million
economically active population (2000)	368.966 million
paid employment in "formal" sector (2003)	27.000 million
employment in the "informal" sector (2000)	65.560 million
unemployment (1999–2000)	26.58 million
claimed union members (1999)	6.407 million
claimed union members/economically active population	1.7 percent

Sources: Population is from World Bank, *World Development Report 2004*, 256. Economically active population and paid employment in the ILO, *Yearbook of Labor Statistics 2002–03*. Informal sector employment is from *Survey of non-Agricultural Enterprises in the Informal Sector*, 2000. It includes "all unincorporated proprietary and partnership enterprises producing all or some goods or services for sale." Unemployment is based on the National Sample Survey Organization estimate for current daily status, from the Ministry of Labour, "Over 21 million estimated to be unemployed," May 5, 2006, press release. Claimed union members are from the Government of India, *Manpower Profile*, supplied by ILO on June 4, 2006.

Note: The Government defines the formal sector as "public sector and establishments of non-agricultural private sector with 10 or more persons employed" or in Mumbai or Kolkata with 25 or more persons.

by enterprises with fewer than ten employees than in finance and insurance. Thus, it is underestimated relative to the finance, insurance, and real estate sector.

The formal sector in India – both public and private – is in decline, while the number of people demanding jobs is increasing steadily. As we shall see, Pakistani statistics suggest a similar unemployment crisis in Pakistan. In 1991, total employment in the "formal sector" was around 27 million, 19 million in the public sector and 8 million in the private sector. More than two-thirds of the employment in the formal sector in India is in the public sector. It is the non-public "formal sector" that is declining most rapidly. Employment in the public formal sector is declining less rapidly.

The source for figures on unemployment is the National Sample Survey (NSS). The NSS has used comparable definitions of data in five-year surveys since 1972–73. The NSS, unlike the Labour Ministry's figures and those of the Annual Survey of Industries, covers all types of gainful employment, not only that in the "organized sector" (i.e., private sector employment in non-agricultural establishments employing ten (25 or more in Mumbai and Kolkata) or more people and public sector establishments regardless of size).

The Pakistani labor force

In Pakistan, a worker is defined, for labor data collection purposes, as any person ten years of age and above, not in military service, who at any time during the week prior to the survey worked for pay or profit or was willing

Table 4.2 India: employment growth by sector, 1993–2004

	Annual % growth
Agriculture, Fishing, Forestry, Hunting	-0.05
Mining and Quarrying	-0.16
Manufacturing	-0.06
Electricity, Gas, and Water	-0.01
Construction	-0.19
Trade, Restaurants, and Hotels	+0.21
Transport, Storage, and Communications	-0.03
Financial, Insurance, Property, and Business Services	+0.18
Community, Social, and Personal Services	+0.04
Total	-0.01

Source: International Labor Organization, *Yearbook of International Labor Statistics*, Geneva: ILO, various issues.

Note: The government defines the formal sector as "public sector and establishments of non-agricultural private sector with 10 or more persons employed" or in Mumbai or Kolkata with 25 or more persons.

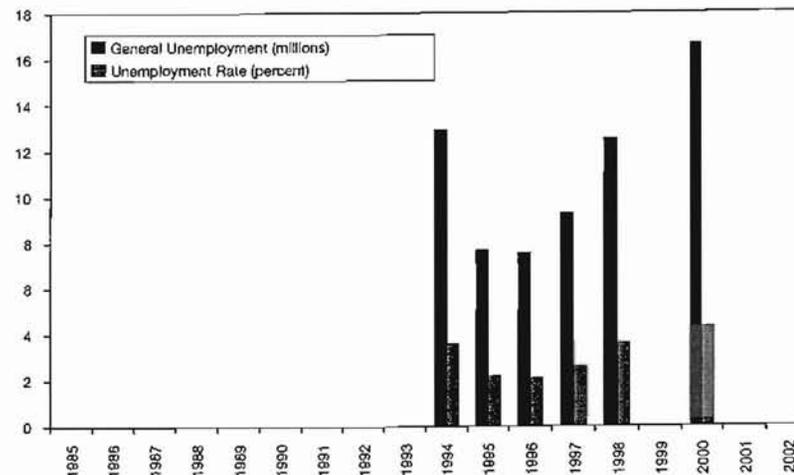


Figure 4.1 India: general unemployment and unemployment rate, 1985–2002

Source: Government of India, Federal Bureau of Statistics, *Labour Force Survey*, 1994–2000.

to work. Labor statistics yield more than 38 million "economically active" workers, including nearly 3.5 million unemployed workers (See table 4.3.)

The labor force in Pakistan in 2002 was estimated at 38.88 million individuals, of whom 3.5 million are unemployed, rendering an unemployment rate of 9 percent.

Until 1991, annual unemployment was officially estimated at a consistent 3.1 percent of the labor force.³ Such perfect consistency did not give great confidence to users of such data. Unemployment estimates in Pakistan are now more realistic. The true unemployment figure is understood by economic planners, labor economists, and trade unionists to be considerably higher, approximately 15 percent of the labor force.

The Pakistan Labour Force Survey – the dominant labor survey instrument in Pakistan – defines the informal sector, inadequately, to include "persons working in unincorporated enterprises (excluding quasi-corporations) owned by own-account workers irrespective of the size of the enterprise, or by employers with less [sic] than 10 persons engaged." Indian labor data suffers from this same incongruity between concept and measurement. Terms of employment determine informality, not the number of workers at a workplace.

Large numbers of job seekers join the labor force annually in India and in Pakistan. Unemployment is rising. In each country, employment in the organized sector, both private and public, increased rapidly in the initial decades after Independence. Employment in the public sector and in the large formal private sector provided the foundation for trade unionism. Organized sector employment, however, has gradually declined, in both countries, since the 1970s.

Table 4.3 Pakistan: labor force data, 1997–2003

population (2000)	148.4 million
economically active population (2000)	38.005 million
economic activity rate (15+) (2000)	50.4 percent
total employment (2000)	36.847 million
total employment in "informal" sector (1997)	64.6 percent
total employment in "informal" sector (1997)	23.803 million
unemployment (2003)	3.48 million
claimed union members (2001)	276 million
claimed union members/economically active population	0.73 percent

Sources: Population is from World Bank, *World Development Report 2004*, 257. Economically active population excludes armed forces. Paid employment excludes the armed forces and people under the age of 10. Data are from ILO, *Yearbook of Labor Statistics*. Informal sector employment is from the *Labour Force Survey, 1997*, Ministry of Labour, Maupower, and Overseas Pakistanis, *Labour Force Survey, 1999–2000*, and Finance Division, *Pakistan Economic Survey*. Claimed union members is from Government of Pakistan, *Pakistan Statistic Yearbook*, provided by ILO on 4 June 2006.

Table 4.4 Pakistan: employment growth by sector, 1994–2001

	annual % growth
Agriculture, Fishing, Forestry, Hunting	+0.076
Mining and Quarrying	+0.014
Manufacturing	+0.007
Electricity, Gas, and Water	+0.104
Construction	+0.040
Trade, Restaurants, and Hotels	+0.009
Transport, Storage, and Communications	+0.022
Financial, Insurance, Property, and Business Services	+0.022
Community, Social, and Personal Services	+0.022
Total	+0.027

Source: International Labor Organization, *Yearbook of International Labor Statistics*, various issues.

For more than two decades, Pakistani and Indian job seekers have faced a declining manufacturing sector. Since the early 1980s, Pakistan has experienced a steady decline in employment in the manufacturing sector. Manufacturing was to lead economic development but reached its height, as

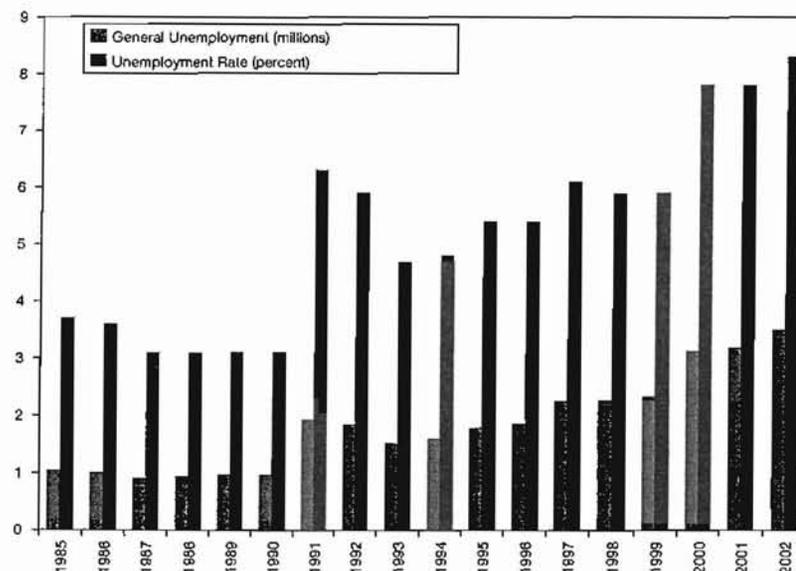


Figure 4.2 Pakistan: general unemployment and unemployment rate, 1985–2002

Source: From Government of Pakistan, Federal Bureau of Statistics, Labour Force Survey 1990–2000.

a percentage of the labor force, in 1979, at just below 15 percent. In India too manufacturing has declined as a percentage of total employment since the late 1970s and in absolute terms since 1993.

There is no evidence that informality has increased because of a push-out effect of standards accrued by workers in the organized sector. But there is evidence that conditions of work and terms of employment have worsened in the organized sector. Management in the private and public sector has succeeded in evading many of the legal protections afforded to workers in large establishments. According to labor economists and trade unionists in both India and Pakistan, since the late 1970s there has been a "management offensive" against trade unionism, aimed particularly at workers in larger industrial enterprises.⁴

Informal and subcontracted employment

Some analyses of India's industrial reforms make journalistic reference to the need to modernize inflexible labor law⁵ and to "unproductive organized workers."⁶ Largely ignored in the literature advocating more rapid reform of South Asian labor institutions is that these institutions have already been substantially deregulated, even without changed labor legislation. Industry has found ways to evade labor law, even if Indian trade unions prevent the government from legislating labor's deregulation through an amendment to the Industrial Disputes Act of 1947. The Indian economy has been substantially given over to the private sector, even without large or wholesale privatization, because the labor force within it has been progressively deregulated and disorganized. Thus, while privatization has been thwarted, a slow, unofficial process of abandonment of effective labor regulation has been taking place for two decades.

Disorganizing workers

Deregulation of work has been achieved through a combination of techniques and processes. Employers declare bans on new employment but subcontract the new demand for labor to labor suppliers. Employees are reclassified as managers, without change of duties, so that they may not by law join or lead unions. Employees are offered individual wages and benefit incentives upon the achievement of daily individual productivity norms. Management divides production and builds parallel plants in designated "backward areas" with government tax incentives. Management also reduces employees' knowledge of the production processes; threatens to prevent workers from working (a lockout); uses armed thugs to intimidate union leaders and workers at the workplace; and farms out production to areas outside of the scope of labor inspection.

Government statisticians and labor economists note that subcontracted labor is growing. The subcontract labor system (*thekedar nizam*) allows for

workers to be provided on demand through a labor contractor (*thekedar*) without any legal or moral relationship between the workers and the person for whom work is done. Employers find labor subcontracting to be an effective way to circumvent labor law. Trade union officials and workers say that subcontracting is increasing in part because management has changed labor processes, often so as to weaken the workplace strength of workers. Trade unionists, labor economists, and workers in both countries suggest that new practices in human resource management and in subcontracting production have undermined organized labor and weakened labor standards. (See interview index.) The production process is being dismembered, as is the common workplace that once provided workers opportunity to organize and, in many factories, to control the workplace. Here, we will look at the growing use of the subcontracted labor system and managerial strategies that transform production processes in ways that undermine the organizational strength of labor.

The deregulation of conditions of work and terms of employment in India and Pakistan is based upon industrial practices rather than government policies. Pakistani and Indian trade unions, therefore, must not only be engaged in influencing government economic policy, but also respond to the restructuring of terms of employment, a threat far more immediate and dangerous to workers and their rights.

Strikes and lockouts

As discussed in chapter two, industrial relations statistics are easier to use in making claims about union or labor power when accompanied by interviews with workers and organizers. When these industrial relations statistics are examined comparatively, then they also become more meaningful.

The challenge that organized labor faces in the restructuring of conditions of work and terms of employment in India is suggested by the steady rise in employment lost to management declared lockouts and the steep decline in the number of workdays lost in strike action (See figure 4.3.)⁷ Political or sympathy strikes are not included in either Indian or Pakistani statistics. The Indian Ministry of Labour, however, reported by December 1998 that hundreds of thousands of workdays are lost annually in hundreds of industries in political or sympathy strikes.⁸

Between the early 1960s and the first years of the twenty-first century, the portion of work stoppage – and its burden on workers, waged and salaried – caused by employers (as measured by total workdays lost to lockouts) has risen from approximately 15 percent to approximately 80 percent of total work stoppage. In 1965, employers declared only 16 percent of all work stoppages. In 2005, employers declared 80 percent of all work stoppages. The Indian Ministry of Labour reported that 3,040 workers were retrenched in 2002, a record high, up 39 percent from 2001. But the number of workers locked out of their workplaces was 162,563, in keeping with the trend since the 1970s.⁹

Employers argue that the growth in lockouts is a reflection of two trends. Organized labor, they say, is making increasingly unreasonable demands upon management for wage increases and other benefits. Moreover, employers argue that the rigidities of Indian labor law, particularly the 1977 amendment to the Industrial Disputes Act of 1947, prevent management from dismissing excess workers.

Workers and trade union leaders argue that lockouts are a technique used by management to declare their enterprises unprofitable and thereby to gain access to subsidies and tax concessions. Lockout days surpassed strike-days in India only after 1987, when the Board for Industrial and Financial Reconstruction became operative. This is consistent with the trade union perspective, that management is using lockouts to close and restructure factories.

Informal labor

The influence of the informal sector in India and Pakistan is ubiquitous. As a proportion of the total labor force, the informal labor force is very large even by lower income developing country standards. And yet it is a sector defined via another sector. It is, literally, what the formal sector is not. The concept of the informal sector has its origins in early economic development theory's distinction between the traditional and the modern. In development economics this distinction was encapsulated in the concept of the dual

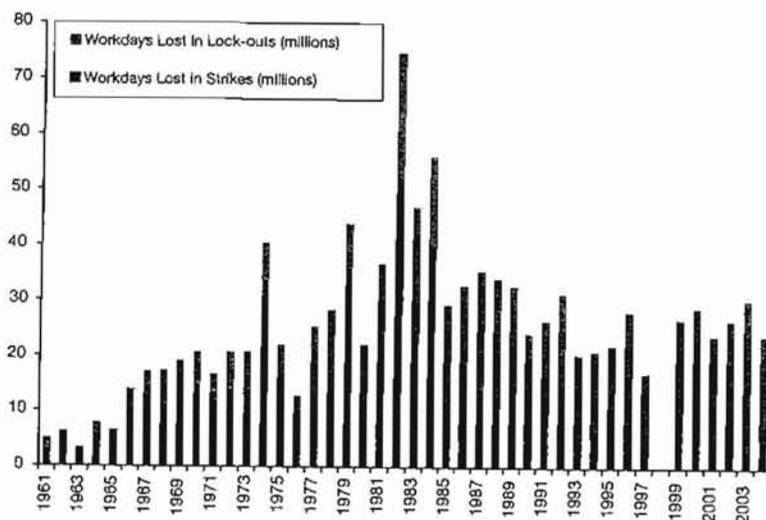


Figure 4.3 India: workdays lost in strikes and lockouts, 1961–2003

Source: Government of India, Ministry of Labour, *Annual Reports*, various issues.

economy. This false dichotomy – a bifurcation of an intertwined whole – allowed for clumsy interpretation of data.

A 1971 International Labour Organization (ILO) mission to Kenya provoked some interest in the potential of the informal sector as a vehicle for employment promotion.¹⁰ The mission report attempted to define the informal sector by characterizing it as comprising those economic activities in which entry is comparatively easy, resources used are chiefly local, ownership is typically family based, the scale of production is small, labor is intensive and unskilled or skills are acquired informally, capital input is low, technologies employed are adapted, and markets are unregulated and competitive.¹¹ In the ensuing decades, scholars have offered a number of ways to define the informal.

More satisfying than the dichotomy between formal and informal sector employment is an approach that permits one to see the stratified and segmented nature of the labor force. John Harriss, K. P. Kannan, and Gerry Rodgers define distinct categories of nine informal workers: unprotected regular long-term workers, unprotected regular short-term workers, unprotected irregular workers, independent workers, self-employed with capital, marginally self-employed, apprentices, family workers, and the unemployed.¹² Such distinctions are clearly not *a priori*. But they provide a greater sensitivity to the nuances of employment than are on offer by the bifurcation – conceptually – of formality from informality.

Rickshaw drivers

The condition of rickshaw drivers well illustrates the manner in which laws ostensibly designed to protect workers, in practice, make informal sector workers even more vulnerable.¹³ Rickshaw driving is typical of the informal sector. Barriers to entry to the enterprise – capital, education, and technical skills – are few. Employment is ready-at-hand. Payment is based on output. An advantage of the industry, over many other informal sector enterprises, is that payment is made upon completion of the task. But, like many informal sector workers, most rickshaw drivers work in a highly noxious environment. Most rickshaw drivers, thereby, suffer from tuberculosis, asthma, and other lung problems. Millions of people ply rickshaws throughout India, with the exception of India's hill and mountain areas. Rickshaw drivers in most northern Indian cities and towns are landless and smallholder peasants, migrants from India's poorer states, chiefly Bihar and Orissa. Most rickshaw drivers in Delhi report that they came to Delhi because there was no work in their villages and not enough produce from their family's farms to feed them.¹⁴

While some labor organizers have tried, organizing rickshaw driving is extremely difficult. In Kanpur, where an estimated 50,000 people earn their livelihood plying rickshaws, the Rickshaw Mazdoor Union is only

influential in the area around the Central Railway station.¹⁵ Most rickshaw drivers are migrants, who return to their villages after a few months of work.¹⁶ Moreover, the vast majority of rickshaw drivers operate illegally, preventing them from organizing legally.

In Delhi, nearly half a million people earn their livelihood peddling rickshaws. Very few rickshaw drivers own their own vehicles. At Rs. 3,500 (US\$75), the average cost of a rickshaw is well beyond the means of rickshaw drivers. If an unskilled laborer had Rs. 3,500 in savings, it is unlikely that he would choose rickshaw driving as his means of livelihood. The vast majority of rickshaws plying the roads of Delhi are owned by individuals who have dozens or hundreds of rickshaws, which they rent to drivers for Rs. 20 per day. Ostensibly to prevent the exploitation of rickshaw drivers, article 3, section 1 of the Cycle Rickshaw By-laws of 1960, framed by the Delhi Municipal Corporation, states that:

no person shall keep or ply [a] cycle-rickshaw in Delhi unless he himself [indeed, all drivers are male] is the owner thereof and holds a license granted in that behalf by the Commissioner on payment of the fee, that may from time to time be fixed under sub-section 2 of Section 430 [of the Delhi Municipal Corporation Act of 1957].¹⁷

Further, the by-laws require that "no person will be granted more than one such license." According to the man in charge of rickshaw licensing, Additional Commissioner of the DMC, C. P. Gupta, "any individual who is healthy can own a rickshaw if he pays the nominal fee of Rs. 50."¹⁸ But according to drivers, the DMC typically charges Rs. 200 to Rs. 250 for a license. By the DMC's own account, it has issued only 73,000 licenses. Further, the DMC only makes licenses available once a year.¹⁹

Police often beat rickshaw drivers who cannot produce licenses and confiscate their vehicles. The drivers are made to push the rickshaws to the police warehouses. Even if drivers are willing to pay the police for the return of the vehicle before it is turned over to the DMC, when it begins to accrue storage fees, the process is time-consuming and costly. An application must be made to the Superintendent of Police who must then be persuaded to forward the application to the Traffic Inspector. If the Traffic Inspector approves the application, it must be returned to the Superintendent of Police for his signature and then returned again to the Traffic Inspector, who may release the vehicle. According to one Traffic Inspector, "taking a bribe is out of the question. Who would dare to take money from these poor folks who work desperately to make ends meet?"²⁰ C. P. Gupta, Additional Commissioner of the DMC, describes things differently. "A rickshaw puller [a term dating to the 1930s when the carriages were pulled rather than peddled] can never complain like that. First of all he refuses to

take license. So, he doesn't have any right to complain about the bribe."²¹ Not surprisingly, the drivers typically leave the rickshaw owners to recover the impounded vehicles. Successful rickshaw owners stay on good terms with the police and the DMC. Thus, the same regulation that grants the DMC licensing authority permits rickshaw owners, police, and DMC officials to prey on the legal vulnerabilities of rickshaw drivers. Rickshaw drivers in Kanpur, where the Municipal Corporation does not have restrictive regulations related to rickshaw drivers, report that they can earn Rs. 80 to 150 per day²² – enough to provide for themselves and their families. But rickshaw drivers in Patna, where the Municipal Corporation, under the Bihar Cycle Rickshaw Act of 1979, regulates rickshaws in a manner similar to that in Delhi, consider it "a profession fit for animals."²³ Laws and regulations ostensibly designed to protect the rickshaw drivers, in practice, increase their exploitation and make them vulnerable to harassment.

Subcontracted workers

While the phrase "contract labor" is understood in South Asia to refer to such casual work arrangements, the translation of the Hindi and Urdu word *thekedar* into the English word "contract" is misleading. Neither the labor contractor nor the workers are under contract. The contract labor system enables employers to circumvent contracts and thus circumvent labor legislation and undermine workers' ability to act collectively. Therefore, rather than use the conventional term "contract laborer," I will refer to such workers as subcontracted workers, which, while still imperfect, goes some way toward conveying the distance between workers and their "employers."

The subcontracted labor system is so widespread that even the central, state, and municipal governments in both India and Pakistan make extensive use of subcontracted labor. All the service employees of the central government-owned and operated Mumbai Airport, for example, are subcontracted. By one estimate, the Government of Pakistan contracts out work at a cost of Rs. 150 million.²⁴ In Karachi, it is estimated that in the textile sector "almost half of the unskilled and semi-skilled workforce is employed through contractor[s] and the trend is increasing."²⁵

There is little survey data on the prevalence or the growth of subcontracted labor employment. Government labor force surveys and employment censuses do not include such data. Employers are reluctant to provide such information. Subcontracted workers themselves are difficult to count on a plant basis as contractors normally take their workers from plant to plant in teams, often at irregular hours. On more than one occasion, immediately after talking with subcontracted workers on the premises of a factory, I was informed by factory owners or human resource managers

that their factory makes use of absolutely no contractors or subcontracted workers. These factories range from the well organized electronics and engineering factories of transnational corporations, such as Siemens AG in Karachi; to large, modern textile mills, such as Bombay Dyeing; from large, un-modernized mills, such as the Llaypur Cotton in Multan; to public sector enterprises, such as Mumbai International Airport. When confronted with observation of subcontracted laborers working on company grounds, management typically acknowledges the oversight and explains that these workers are easily forgotten because they are the responsibility of another employer. Trade unions do not want to publicize the extent of subcontracted work in their enterprises as it reflects poorly on the strength of their unions. Available evidence from India and Pakistan suggests that there has been a tremendous increase in the use of subcontracted workers, particularly in the textile and garment, chemical and pharmaceutical, construction, and mining and quarrying sectors.

The Indian government has passed legislation that ostensibly aims to regulate subcontracted labor with the intention of eventually abolishing the practice altogether. In practice, however, the Contract Regulation Act of 1970 prohibits subcontracted laborers from seeking redress in the courts. Instead a separate tribunal, the Contract Labour Board, has been established to hear cases under the Contract Regulation Act. According to one labor lawyer, however, "nobody knows where it sits, who serves on it, or when." Colin Gonsalvez, a Bombay labor lawyer, explains that the Contract Labour (Regulation and Abolition) Act of 1971 sought to legalize and promote rather than to regulate and abolish subcontracted labor. According to Gonsalvez, since the passage of the Contract Labour Act, the use of subcontracted workers has increased greatly. A serious piece of legislation seeking to abolish subcontracted labor would only need to say that if work is of a perennial nature, subcontracted labor is prohibited. "Instead a legally convoluted measure is passed." The Act requires that subcontracted laborers attempt to change their employment status to permanent through courts in which they have no legal standing. "India," says Gonsalvez "is a country where if [the authorities] choose to allow something they pass a law prohibiting it, like the 'Child Labour Prohibition Act of 1986'." ²⁶ Indeed, the regulation effectively provides incentives for manipulation of the legal process.

The Indian government has opted for a proliferation of legislation, partitioning workers into different sectors, such as *beedi* (hand-rolled cigarettes) workers, child laborers, miners, matchmakers, and railway workers. A different instrument of law governs each group. The channeling of court cases to special commissions and boards effectively prevents workers from finding a hearing. The Contract Labour Act, for example, explicitly prevents an appeal to the High Court. According to one Indian government official:

Certain Labour Laws apply uniformly to all the workers subject to fulfillment of the conditions laid down in the relevant acts or the rules framed thereunder. In some cases, however, the uniformity is not there because these acts have been framed with reference to the specific objectives that they seek to achieve. ²⁷

According to Colin Gonsalvez, the labor lawyer:

In the last five or six years, government thinking has crystallized that human rights and labour cases should not be heard in the High Court and Supreme Court. [These] cases have been shunted out. Blocks of workers are excluded from labour law by passage of special bills. ²⁸

In Pakistan, under section 2(f)(iv) of the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance of 1968, workers employed by a contractor are legally to be regarded as employees of the industrial or commercial establishment which employs the contractor, even if that establishment has no direct knowledge of the subcontracted workers and pays only the contractor for services. ²⁹ Subcontracted workers are thereby legally entitled to similar protections to regular employees. The law, however, is not enforced.

Trade union leaders and industrialists in both countries are in sharp disagreement over the subcontract labor system. Trade union leaders point to the appalling working conditions of subcontracted workers, the total lack of job security, and the lack of overtime pay and accident compensation. If a subcontracted worker attempts to join a trade union organization, he or she is likely to be fired. If a subcontracted worker is injured, he or she is similarly likely to be dismissed.

Industrialists claim that subcontracted workers are more "satisfied" than permanent workers because their take home pay is higher and their working hours are more flexible. ³⁰ Further, industrialists argue that subcontracted workers are more productive, because they are effectively paid on a piece rate basis, and that the subcontracted system therefore generates more employment than formal employment could. Mukhtar Sumar, Director of the Farooq Textile Mills, Karachi, explains the employers' point of view on subcontracted labor:

Under contract labor, the payment to the contract worker is related to productivity; therefore, he produces more than the regular worker. The contract worker can work for every day of the year and in every shift, if he so wishes. This is not the case with the regular worker who gets all the Gazetted holidays and his leave entitlements. ³¹

It is not difficult to reconcile the conflicting claims of trade union leaders and industrialists about the subcontract labor system. If the subcontract system is more productive, it is precisely because one subcontracted worker may replace another at any moment. The industrialists' claim that subcontracted workers can earn more than regular workers is highly suspect and is not corroborated by any surveys nor by my conversations with subcontracted workers in textile, pharmaceutical, and engineering plants in and around Mumbai, Kolkata, Lahore, Kanpur, and Karachi.

According to Indian and Pakistani trade unionists, the employers' rationale for the contract labor system is not to achieve higher productivity but to gain greater control over the production process and to weaken the workplace strength of organized labor. As long as the state guided economic development through an organization of production predicated on a formal, recognized, and regularly paid labor force, industrial development in India and Pakistan gave industrial workers in the formal sector considerable control over the production process. A visitor to large organized sector textile mills and factories in India or Pakistan is likely to be impressed by the degree to which the production process is still managed by workers. The workplace management tends to be heads of sections, who are themselves workers. A senior manager or even an owner doing the rounds on the shop-floor of the factory is likely to be met with a great deal of deference from workers but he will not affect the pace of production. The workers themselves, under the protection of the union leadership, determine the rate of work. In visits to dozens of factories on the invitation of the local union, I have never had my investigations questioned or hindered by the plant management, despite the work time I consumed in speaking with workers. Subcontracted workers were the most constrained of the workers with whom I spoke as they often did piece work or were under the close supervision of a contractor.

Labor disorganization in the textile industry

To better understand how the labor force has been affected by industrial restructuring, it is useful to compare the textile industries of India and Pakistan. The sheer size of the industry alone merits its consideration. The textile industry is each country's largest non-agricultural employer. Among the clear similarities of the structurally distinct industries is increasing reliance on subcontracted labor and production in the informal sector. This section examines how terms of employment changed within the textile industry. The disorganization of industry – as is showcased here by the textile industry – has made impossible effective labor organizing by conventional workplace-based, business-tolerated, and government recognized means.

The textile industry has prospered in South Asia for centuries. Since the introduction of the Spinning Jenny and electricity little has changed in the textile industry. Indeed, the major and lasting innovation in the industry has been the powerloom. With the independently operated powerloom, the global textile industry has been transformed from a labor-intensive industry to a capital-intensive industry. The low labor cost advantage of developing countries, which threatened European producers as early as the 1870s, has been nearly offset by the advantage of modern machinery which advanced industrial countries, particularly Japan, the US, Germany, Italy, and the UK, manufacture. The global trade in apparel and textiles was estimated at US\$500 billion annually in 2005. Modernization, high speed automated equipment, required computer-aided design and manufacturing, and large outlays of hard currency. There have been difficulties for the textile industry in both India and Pakistan.

The management of international trade in textiles has long been contentious. Advanced industrialized countries have restricted textile imports from less-industrialized countries for centuries so as to protect their domestic industry. In the latter third of the twentieth century, the restriction on developing-world textile exports has been achieved through a series of interim international agreements and the repeated extension of the Multi-Fibre Agreement (MFA). A 1962 agreement under the Kennedy Round of the General Agreement on Tariffs and Trade (GATT) was made as a temporary arrangement to allay the growing demand from developing countries that industrialized countries open their markets to textile imports. It was agreed that the importing industrialized countries would relax their import quotas by five percent annually. A clause of the agreement allowed even less liberalization should there be disruption of the home market. The 1962 agreement was designed to last for three years. A more permanent arrangement was to be reached. Unsuccessful negotiations led to the 1962 agreement's extension in 1967 to 1971.³²

In 1971, the UK replaced its country quota system with a 15 percent import duty on all textiles. The decision was officially conveyed to GATT and textile exporting countries, but was soon reversed. Imports from Pakistan were singled out for a two-month moratorium in March 1972.³³ Pakistani officials alleged that the moratorium was in retaliation for Pakistan's decision to leave the British Commonwealth, while Britain maintained that orders from British importers had exceeded the fixed quota.³⁴ The United States was the first to use the discretionary clause of the GATT treaty to restrict textile imports. As in 1971, in 1967 Pakistan was the target. The United States cut Pakistan's quota from 30 million to 11.4 million yards. With the United Nations Conference on Trade and Development (UNCTAD) intervention, the United States reviewed its position and gradually increased Pakistan's quota.³⁵

Under the MFA, developing countries voluntarily restrained their exports in accordance with assigned quotas. The MFA came into effect on January 1, 1974 as a five-year agreement. It was designed to protect the textile industry of advanced capitalist countries while it adjusted to global competition. Instead, it was renewed every five years, giving long-term protection from global production. Despite decades of displeasure on the part of governments and textile producers in developing countries, the MFA was repeatedly extended. It was agreed in the concluding session of the Uruguay Round of negotiations of the GATT that the MFA would be phased out, and it was.

Indian textiles

The textile industry in India is the nation's largest employer outside of agriculture. Since Independence, the industry has been heavily subsidized and regulated for maximum employment, often with less regard for quality or distribution. In Pakistan, it is recognized that "[t]he entire economy of the country owes its . . . progress to the healthy performance of the cotton textile and allied industries."³⁶

Restructuring the textile industry presents the government with a difficult choice. Labor productivity in the industry is low by global standards, chiefly due to lack of modernization. Both states patronized the textile industry. Indian textile policy, attaching greater importance to protecting existing industrial employment than to modernization and expansion, damaged productivity. Less interventionist Pakistani textile policy permitted a more productive industry, but one structured around the export of cotton yarn, which is relatively low in value added in textile production. Employment in the textile industry in both countries has declined rapidly since the late 1960s and early 1970s, especially among production staff. But the industry still sustains high levels of employment. The restructuring of the industry confronts the government with a choice between employment and international competitiveness. The textile industry is made up of three sectors: the organized mill sector, including spinning and composite mills; the unorganized powerloom sector; and the handloom sector.

The first organized textile mill began operation in 1856. By 1860, there were six mills, each based in Mumbai.³⁷ Mills soon began to operate in Ahmedabad. Prior to Partition, Sindh and Punjab provided the bulk of the raw cotton for the mills of Mumbai and Ahmedabad. Unlike many other Indian industries in the days of British rule, the textile industry was almost entirely South Asian owned and operated. Though colonial India exported two and half million bales of raw cotton annually, after Partition, India was faced with a raw cotton shortage. Independent India also lost 800 to 900 million yards of cotton cloth sales to the areas that became Pakistan.³⁸

The Indian textile industry has long held deep public significance as symbolic of Indian economic independence. The boycott of British textiles in favor of indigenous cotton textile, or homespun, was an important instrument in the struggle for Indian Independence. Indeed an image of a *charka* (spinning wheel), which Mahatma Gandhi made the symbol of the dignity of work and of Indian self-reliance, was a contender for the center-piece of the Indian national flag.

By 1968, however there were hundreds of sick mills. In 1967, the central government nationalized 111 sick mills and created the National Textile Corporation (NTC) to manage and rehabilitate them. Employment relief was the explicit objective of nationalization. In April 1974, the Indian Parliament under the governance of Prime Minister Indira Gandhi enacted the Sick Textile Undertakings (Nationalisation) Act of 1974.³⁹ The act nationalized another 103 sick textile enterprises at a cost to the central government of over Rs. 400 million.⁴⁰ As in 1967, the rationale for the nationalization was "to secure the principles specified in clause (b) of article 39 of the Constitution," namely "that the ownership and control of the material resources of the community are so distributed as best to subserve [sic] the common good."⁴¹ The NTC produces one-fifth of India's cloth, mostly of coarse and medium variety, as well as cotton yarn. In October 1983, 13 additional mills were nationalized and given over to the management by the NTC (South). At the time of the 1982-83 Mumbai textile strike, the NTC (South) managed 18 mills and the NTC (North) six, while the MSTC managed one.⁴² The rationalization of workers and unions in the National Textile Corporation was, as we shall see, the testing ground for the rationalization of workers and unions in the entire industrial sector.⁴³

By 1988, employment in the cotton textile industry was at its height, directly employing more than 1.2 million people in India.⁴⁴ Eighteen percent of the industrial labor force in India is in cotton textile production. Another several hundred thousand people are estimated to be employed indirectly by the industry.⁴⁵ Cotton textile manufacturing contributes 12 percent of the value added of the organized industrial sector. With 16 percent of the world market, India is the second largest exporter of cotton textile in the world, second to Japan.

Textile mill owners in India – mill owners, government officials, and mill workers widely acknowledge – often run their mills at a book loss so as to access government financial rehabilitation assistance. Mill owners fabricate sickness in order to attract public capital. The Indian textile industry contributes more enterprises to the country's list of sick enterprises than any other industry. For decades mill owners and their associations have complained of the burden of an increasing wage bill. However, by their own figures, the wage bill has not increased as quickly as other industrial expenses. Relations between mill owners and government in India have not usually been cordial. By 1956, the central government used excise duties on mill cloth to reduce mill owners' profits, which were thought to be excessive,

and to help finance the Second Five-Year Plan.⁴⁶ By November 1992, nearly 300 spinning and composite mills were declared sick, of which 140 were closed, leaving 188,000 workers jobless.⁴⁷

The Rashtriya Mills Mazdoor Sangh

Under the Bombay Industrial Relations Act (BIR), trade union recognition in the textile industry is industry-wide rather than by individual enterprises. As a result, the Congress-affiliated Rashtriya Mill Mazdoor Sangh (RMMS) has since the inception of the BIR been the sole recognized union for 60 mills in Mumbai and Gujarat.⁴⁸ Few textile workers regard the RMMS as an organization which looks out for their interests, rather than as an instrument of management.⁴⁹ Indeed, the BIR was immediately opposed by organized labor on its inception in 1946. One of the principal demands of the 1982-83 textile strike was the repeal of the BIR and the derecognition of the RMMS.

At collective bargaining meetings with the Mill Owners Association, the RMMS is represented by Shankerrao Jadhav, a former RMMS General Secretary. He is alleged to have gained control over the union through physical intimidation, with assistance from alleged crime boss Arun Gavli. In an effort to check the influence of organized crime over the RMMS, Maharashtra government under Chief Minister Sharad Pawar required government approval of collective bargaining arrangements before they are signed by employees and employers.⁵⁰

It is widely alleged that organized crime has been used by the RMMS to persuade workers to agree to the relocation of mills. Khatau Mills workers, for example, were persuaded to move from central Mumbai to the suburbs of Borivli through threats of violence from organized crime. The state government took the unusual step of informing the Board of Industrial and Financial Reconstruction (BIFR) that despite the workers' unanimous consent, the relocation plan was not acceptable because it was secured under duress. A second poll among workers, under government supervision, yielded a similar outcome. In the fatal shooting of textile industrialist Sunit Khatau, organized crime was originally employed by management to persuade workers to agree to Khatau's relocation plans.

The Bombay textile strike

The textile strike of 1982-83 in Mumbai was the world's largest, as measured by number of workdays lost.⁵¹ The strike bore witness to the intense desire of Indian textile workers in Mumbai to escape the confines of political party-based unionism. By a provision under the BIR, a single trade union may be recognized for an entire industry in the states of Maharashtra and Gujarat. As a result, the Indian National Congress-affiliated RMMS

has since the adoption of the BIR been the sole recognized union for textile mills in Mumbai, despite challenges to the union's standing in 1950 and 1959.⁵² Mumbai textile workers regard the RMMS as an instrument of the mill owners rather than an organization which serves workers' interests. Thus, the principal demand of the mill workers in the historic 1982-83 textile strike in Mumbai was the repeal of the BIR and the de-recognition of the RMMS.⁵³

Few leaders commanded sufficient loyalty from workers to lead the Bombay Textile Strike. The senior communist trade union leader, S. A. Dange, who had been active prior to Independence, was still working among textile unions, but after his 1974 42-day textile strike, had no notable achievements. R. J. Mehta had made a name as a responsible trade union leader, a man whom workers could trust to bargain hard for their interests and who would vigorously pursue unfair labor practices in court, and yet whom management could trust to guarantee workers' productivity. R. J. Mehta's style of union leadership represents one aspect of independent trade unionism, which rose in the late 1960s.

Datta Samant began his trade union organizing with quarry workers in Ghatkopar, an outer suburb of Mumbai. "It had been with the support of these grateful workers that he was elected to the State Assembly as an independent candidate."⁵⁴ With his success as an independent candidate, the Indian National Congress (I) succeeded in enlisting him as a Congress candidate for the 1972 legislative election, which he won. By the mid-1970s he became a full-time trade union organizer for the Indian National Trade Union Congress (INTUC). Samant gained credibility among workers for his impatience with the legal machinery which often indefinitely postponed solutions to workers' grievances. In the chemical and engineering industries, Samant organized strikes which led quickly to wage and benefit concessions. Samant was critical of the way in which political concern dominated trade unions. Although a member of the Indian National Congress (I), he maintained an uneasy relationship with the INTUC. In 1984, after the failure of the 1982 textile strike, Samant was elected to the Lok Sabha. He was the only non-Congress Member of Parliament from Mumbai to win in the 1984 elections.

Just prior to the strike, Indira Gandhi's government had taken its 1982 IMF loan. The government was therefore determined to demonstrate, both to external creditors and to other Indian workers, that it was capable of defeating labor intransigence. Before the Bombay Textile Strike, mills in Bombay employed some 250,000 regular workers. Today, their numbers have been reduced to 150,000.⁵⁵ "N. S. Ansari, president of the Powerloom Weaver's Association, claims that with the exception of NTC mills all mills took sub-contracting" during the 1982-83 textile strike.⁵⁶ Datta Samant's Maharashtra Girni Kamgar Union, formed on the eve of the 1982-83 Bombay Textile Strike, has yet to officially call off the strike.

Contracting and powerlooms

The powerloom sector refers to looms in the informal, small-scale sector that use electricity. Of the three textile sectors, the powerloom sector has emerged latest, but registered the fastest growth in production. The first decentralized loom industry to employ power, according to the Powerloom Inquiry Committee (1960), was in the formerly princely state of Ichalkaranji in 1904. In the early 1930s, many of the powerlooms were set up by entrepreneurs who purchased and converted the discarded looms of Mumbai and Ahmedabad mills.⁵⁷

Powerlooms tend to be densely concentrated and located in areas near major industrial cities where access to raw materials and distribution networks are easier than in rural areas. In Maharashtra, where nearly half of the country's powerlooms are located, the major powerloom centers are near Mumbai and Ahmedabad at Bhiwandi, Ichalkaranji, and Malegaon. In Gujarat, powerlooms are concentrated in Surat, possibly the largest concentration of powerlooms in the country.⁵⁸ In Tamil Nadu, the state with the second largest concentration of powerlooms, they are concentrated in Madurai.

Bhiwandi, 50 kilometers from Mumbai, is one of largest centers of informal textile production in India. Bhiwandi is, by Indian standards, a productive but impoverished town. The estimated 400,000 looms, powered by electric generators, and operated by 400,000 workers, mostly migrants from other states, create a constant din. Bhiwandi became one of the chief centers of informal sector textile production in India during the prolonged Bombay Textile Strike of 1982-83. Mumbai textile manufacturers, rather than meet Mumbai labor unions' demand for larger productivity-based bonuses, opted to subcontract production to the informal sector. Some Mumbai mills owners even dismantled their mills and sold their looms to "inaster weavers," individuals to whom textile mill owners transferred nominal ownership of looms and supplies. In Bhiwandi, and other towns, "master weavers" hire workers to operate these mills, often with yarn supplied by the Mumbai mills. Cloth is sent back to Mumbai where textile mill owners have their factory labels attached and have it distributed through company marketing channels.

It is estimated that the powerlooms at Bhiwandi produce "several thousand crore" (roughly two billion US dollars) worth of textiles annually.⁵⁹ The workers, however, do not enjoy the fruits of their productivity. Working conditions in Bhiwandi are desperate. Looms are typically installed in small sheds that double as workers' living quarters. As there are no public health or sanitation services available, workers often fall ill. The similarly unsanitary conditions in the town of Surat, the center of informal sector powerloom production for the textile industry of Ahmedabad, were the breeding ground for an outbreak in Western India of plague in 1994.

Workers operate their looms under two 10-hour shifts, typically taking turns between working the looms and sleeping in the adjacent cot. Many of the workers are small children. Daily wages run from Rs. 12 (US\$40¢) for women and children to Rs. 50 (US\$1.65) for adult men. Labor activists have attempted to organize Bhiwandi workers to demand better wages and working conditions, but joining a union is an invitation for dismissal.

Post-Independence policies encouraged the rapid growth of the powerloom sector as a small-scale and cottage-based industry. In 1950, for example, the Government of India prohibited the organized mill sector from producing certain materials that were to be reserved for the handloom sector and for powerloom factories employing four or fewer looms. From 1955, the government adopted a policy of differential excise duties. Fabrics produced by handlooms and powerloom factories employing four or fewer looms were exempted from excise tax while fabrics produced by powerloom factories employing more than four looms enjoyed taxes at rates lower than the mill sector.

Informalization through liberalization

The 1985 textile policy dramatically altered the state's protections and incentives in the textile industry, removing capacity restriction, relaxing the import of synthetic fibers, permitting mills to produce blends of their choice, and extending equal financial assistance. Tens of thousands of handloom workers lost their jobs and numerous mills too became unprofitable and were closed.⁶⁰ The 1985 textile policy was one of the major reforms of Rajiv Gandhi's early liberalization efforts. The policy was met with claims that the state was preparing to liquidate the handloom industry as well as remove employment generation as a criterion for economic policy.⁶¹ The unorganized handloom workers, typically also seasonal migrant laborers, were not well positioned to mount a unified opposition or even to monitor economic policy. Workers in the mill sector, organized by party trade unions, went on strike in Madras, Coimbatore, Delhi,⁶² and Bombay over the linking of wages to productivity. According to a journalist-author and observer of the textile industry, "what is happening is the complete disaggregation of the textile industry. It's a clear case of disaggregation and disintegration."⁶³ Spinning is going to the cooperative sector. Weaving has been transferred to the powerloom sector. And processing has been taken up by special processing enterprises. The most profitable textile companies are those whose strengths are not in manufacturing so much as in non-productive factors such as advertising.

The textile industry has provided a greater challenge to the government's liberalization program than any other industry. The Textile Policy of June 1985 and the recommendations of the Abid Hussein Committee expressed the intention of the government to rationalize and remove protections to

the industry. These were ultimately politically impossible to impose. As it became clear that neither policy could be implemented, the Ministry of Textiles has repeatedly promised a new textile policy. A Steering Committee of Government Secretaries was constituted to form agreement on a new policy but was unable to reach agreement. But the Prime Minister's Office has been unable to break the stalemate.⁶⁴

One reason for the failure of consensus is that pursuing the strategy of shaping the Indian textile industry into an internationally competitive industry will directly threaten the work and lives of the 3.5 million handloom weavers and their 13 million dependents. The desperation of handloom weavers was brought dramatically to public attention in December 1991 when weavers in Andhra Pradesh died of starvation as a result of government textile policies.⁶⁵ Due to increases in the export of cotton yarn, a significant source of income for the Indian spinning mills, the domestic price of cotton yarn was increased, squeezing the already subsistence-level wages of the handloom weavers. As a result, 73 weavers died of starvation in Andhra Pradesh between August 30 and November 8, 1991. Despite the growing concern over the plight of the weavers, the Ministries of Commerce and Finance are committed to the restructuring of the textile industry to meet the export demands of India's structural adjustment program. But politically constrained by the social disruption that would result, the central government has not been able to suddenly abandon the handloom sector.

As contentious as the plight of millions of weavers, is the fate of the National Textile Corporation (NTC). The Ministry of Textiles had decided that workers in NTC mills would be retrenched with compensation drawn from the National Renewal Fund and from the sale of NTC land and machinery. The Ministry, however, was forced to withdraw that plan in the face of opposition from organized labor.

Pakistani textiles

Pakistan's textile industry in cotton alone provides 40 percent of the country's industrial employment, 30 percent of its value added in manufacturing, and 40 percent of its exports receipts.⁶⁶ Punjab and Sindh were integral to the cotton textile industry of colonial India, but chiefly as the supplier of raw cotton for Ahmedabad and Mumbai mills. At Partition, the bulk of Pakistan's cotton textile needs were met by imports, chiefly from India. The trade war with India in 1949, however, required Pakistan to develop its own production capabilities.⁶⁷ But even prior to 1949, the Government of Pakistan encouraged the rapid development of the textile industry not only through industrial subsidies, protections from foreign competition, and tax incentives, but even by establishing public sector enterprises and transferring these to private ownership once they became viable. Pakistan possessed a strong comparative advantage in cotton textile production, with its cotton

production and abundant cheap labor. Even in 1947, Pakistan produced 1.5 million bales of high quality cotton, more than the country's textile industry could use.⁶⁸

From the late 1940s into the 1960s mills sprang up, many of them composite mills with spinning, weaving, dyeing, and finishing sections in a single plant. By the mid-1960s, composite mills began to sell their looms and concentrate in spinning cotton yarn. The concentration of the Pakistan textile industry in the spinning sector reflects business's propensity to seek rapid returns on investment. The induction of high yield varieties of seed, brought about through green revolution agricultural policies, also made the concentration in spinning possible. With a doubling of the cotton yield, it was natural for the spinning industry to expand. In the 1960s, textile manufacturers faced widespread public criticism alleging that mill owners mismanaged mills and were swindling consumers for rapid profits.

The spinning sector has been tremendously successful in Pakistan, but at the expense of other textile sectors with high value added production. The textile industry has concentrated in low value added spinning rather than higher end weaving. The weaving sector has been crowded out of the textile industry as a result of the profitability of yarn production. From 1972 to 1987, the number of looms in the country shrunk from 30,000 to 17,000 and cloth production dropped.

Pakistan's mills (not powerlooms) consume only 10 percent of the cotton yarn produced in Pakistan. The export market consumes 40 percent. Two-thirds of exports go to Japan, Hong Kong, and South Korea for weaving and finishing. Pakistan meets 70 percent of Japan's cotton yarn imports and nearly all of Bangladesh's cotton yarn import requirement. The local ancillary market, predominately the powerloom sector, consumes the remaining 50 percent of the cotton yarn produced.

All Pakistan Textile Mills Association

The All Pakistan Textile Mills Association (APTMA) is the most powerful business association in Pakistan. The APTMA exercises considerable influence over the government's textile policy. Explains one senior government official, "what APTMA wants it usually gets."⁶⁹ Any discussion of textiles in Pakistan requires a discussion of APTMA. APTMA has successfully lobbied for government concessions. An example is found in regulation of raw cotton export. The production of cotton yarn is dependent upon the variable cotton crop, which is itself susceptible to infestation and flood. In 1991, the Pakistani cotton textile industry was facing a worldwide glut of cotton yarn. The APTMA announced in August 1992 that all spinning enterprises would remain closed one day each week so as to reduce surpluses across the board rather than risk the closure of whole mills. According to then Chairman of APTMA, Tariq Saeed Saigol, the industry produced 100 million

kilograms of cotton yarn per month. But with domestic consumption at 40 to 50 million kilograms and exports stagnant at 35 million kilograms, there was a monthly surplus of 15 to 20 million kilograms. APTMA claimed that this move was not intended to lay off workers or to protest government policy, but made clear that, in their view, the total abolition of the export duty and a partial devaluation of the rupee would be necessary to enable Pakistan to maintain its market share in textile exports.⁷⁰ Flooding in 1992 and insect damage in 1992 and 1993, however, reduced the cotton crop in 1994 by 15 percent of the previous harvest. APTMA then switched its position on production. APTMA convinced the government likewise to amend its previous position. Having imposed an export ban on cotton yarn to protect Pakistani spinners, the government-lowered export duties effected a partial devaluation of the rupee.

The APTMA has articulated a five-point plan for developing the Pakistani textile industry. It has demanded that the Pakistani rupee be made freely convertible or be seriously devalued, that interest rates on industrial development loans be reduced and debts on outstanding loans be rescheduled for one year, that a refinancing facility be established for yarn exports, that excise taxes be abolished and that duty-free import of long cotton fiber be permitted. Rather than negotiate with the government an industrial development strategy, the APTMA has instead lobbied for special government concessions and facilities for the benefit of spinners.

Pakistani spinners are notorious for failing to pay even the small taxes they are assessed. In 1992, the entire textile industry was assessed Rs. 200 million (US\$8 million) on a turnover of over Rs. 30 billion (US\$2.2 billion). Pakistani farmers accuse the government of bowing to APTMA at the expense of other enterprises. Powerful agriculturists, including the former Punjab Finance Minister, Shah Mahmood Qureshi, have applied pressure against the government's artificially low cotton prices.⁷¹ Government policy assures that raw cotton supplies to Pakistani spinners are 30 percent below the international price.⁷² APTMA has long maintained a hostile position toward organized labor. In 1972, the Sindh-Baluchistan Zone Chairman of the APTMA, A. H. M. Dadabhoy, went so far as to appeal to the government to invoke the Industrial Relations Ordinance of 1969 to prohibit strikes in textile mills by declaring strikes in the industry "prejudicial to the national interest" (using clause 2 and 3 of section 32).⁷³

The Pakistani powerloom sector is enormous, consuming on average three times as much as the annual domestic production of yarn of the composite mills and producing 80 percent of the total output of cloth in the country. Estimates on the number of powerlooms operating in the country range from 90,000 to 150,000.⁷⁴ A trade unionist, the Vice-President All Pakistan Confederation of Labour, describes the unorganized powerloom sector as follows:

[I]n the unorganized sector, the owners of . . . looms usually sublet them to contractors and many of them work in slum areas and not a single labour law is applied to their workers. Their conditions of work are largely inhuman. To dodge labour laws, the owners of such looms . . . divide their factory in a number of small units, each separated by a partition wall, so that each unit has less than 20 workers. In many cases, such small units are sublet to middle men like jobbers or supervisors and there is a paper agreement to do so. In such a situation the owners are not directly responsible for executing any labour law.⁷⁵

The owners of powerlooms are adept at circumventing labor laws. Indeed, the powerloom sector owes its existence to the circumvention of labor law. Loom owners may employ dozens of people, but by hiring subcontractors or jobbers, they are able to avoid registering their enterprises as factories under the Factories Act of 1934.⁷⁶

At present, Pakistan's textile industry employs over one million individuals in the organized and unorganized sectors. The number of individuals at work in the organized factory sector has declined since the mid-1970s, as is evidenced from the census of manufacturing industries.

Government statistics on employment by sector are estimated differently in different years and in many years not calculated at all. (For this reason, I have not provided a line chart.) The employment figures for a number of years are unavailable and the comparability of figures across years is variable. However, the observable trend toward less employment since the mid-1970s is unambiguous. The source for these figures, the Census of Manufacturing Industries, compiled by the Statistics Division of the Ministry of Planning and Development, does not collect data on subcontracted labor. Workers, labor economists, and trade unionists agree that suggest that the proportion of subcontracted workers has risen dramatically since the late 1970s as the number of regular employees has fallen.

This survey of the Indian and Pakistani textile industries shows that in the single largest manufacturing sector, labor relations have transformed rapidly. Once the foundation for formal employment in the organized sector, textiles production is now predominantly in the informal, unregulated sectors, where many of the workers are subcontracted.

Deregulation and workers response

Available data on Indian and Pakistani labor give evidence of a long-term deregulation of conditions of work and terms of service. Trends reflect a transformation of manufacturing worldwide from Fordist production processes toward more "flexible" production processes.⁷⁷ The new production methods require networks of local subcontractors. These networks can be

activated by many domestic firms but fewer transnational corporations. If some kind of global integration or interdependence of economies is the driving force for informalization, it is nevertheless manifest locally in the national economies of the developing world.

This chapter has shown that the greatest challenge to organized labor in India and Pakistan is that the old social contract with the state is not only neglected, it is irrelevant to most of today's employment situations. In the immediate post-Independence period, the Indian and Pakistani states, although with differing economic objectives, developed a strong formal labor force.

Does policy follow practice?

Some attribute increases in informal terms of employment, subcontracted work, and job insecurity to the IMF structural adjustment policies. Less secure terms of employment are the trend in the Indian and Pakistani economies. However, the beginning of these shifts predates the adoption of structural adjustment policies. Industrial relations (not industrial relations law) underwent discernible major shifts in India and Pakistan in many

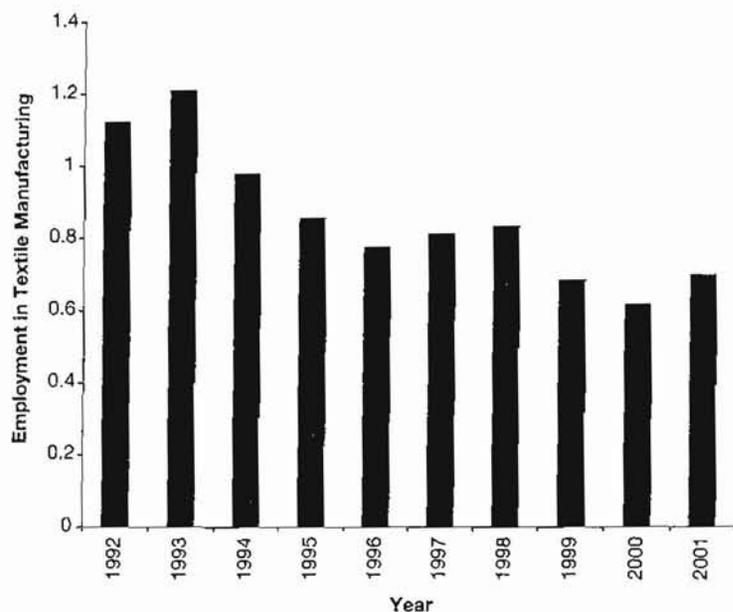


Figure 4.4 Pakistan: employment in textile manufacturing 1992–2001

Source: From Government of Pakistan, Federal Bureau of Statistics, *Labour Force Survey 1990–2000*.

industries from as early as the early 1970s. In India and Pakistan, labor force restructuring preceded the International Monetary Fund (IMF) structural adjustment programs by a decade. Even the earliest IMF adjustment loans in the pre-adjustment days (then called balance of payment stabilization) – in Pakistan in 1980 and in India in 1981 – do not predate significant change in employment patterns. Changes in industrial practices in both countries preceded and prefigured all IMF agreements. It would be difficult to prove that the *de facto* deregulation of industry and of conditions of work and terms of employment promoted its *de jure* deregulation. Nevertheless, the negotiation and implementation of the IMF agreements followed an actual restructuring of conditions of work and terms of employment by Indian and Pakistani employers, including each country's largest employer, the government. The timing of domestic industrial restructuring (earlier) and of external financing for structural adjustment (later) raises the possibility that the Indian and Pakistani states are more affected by local industrial practices than conventional dependency theory – upon which much of the criticism of structural adjustment is modeled – would allow.

Whatever the deeper origins of adjustment, trade unionists claim that since the 1970s many employers and managers have succeeded in undermining the organizational strength of workers and unions on the factory floor by changing work practices. This chapter has examined labor force trends in India and Pakistan. It finds discernible deregulation of conditions of work and terms of employment in India and in Pakistan since the late 1970s – not merely through law but more significantly in practice.