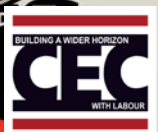
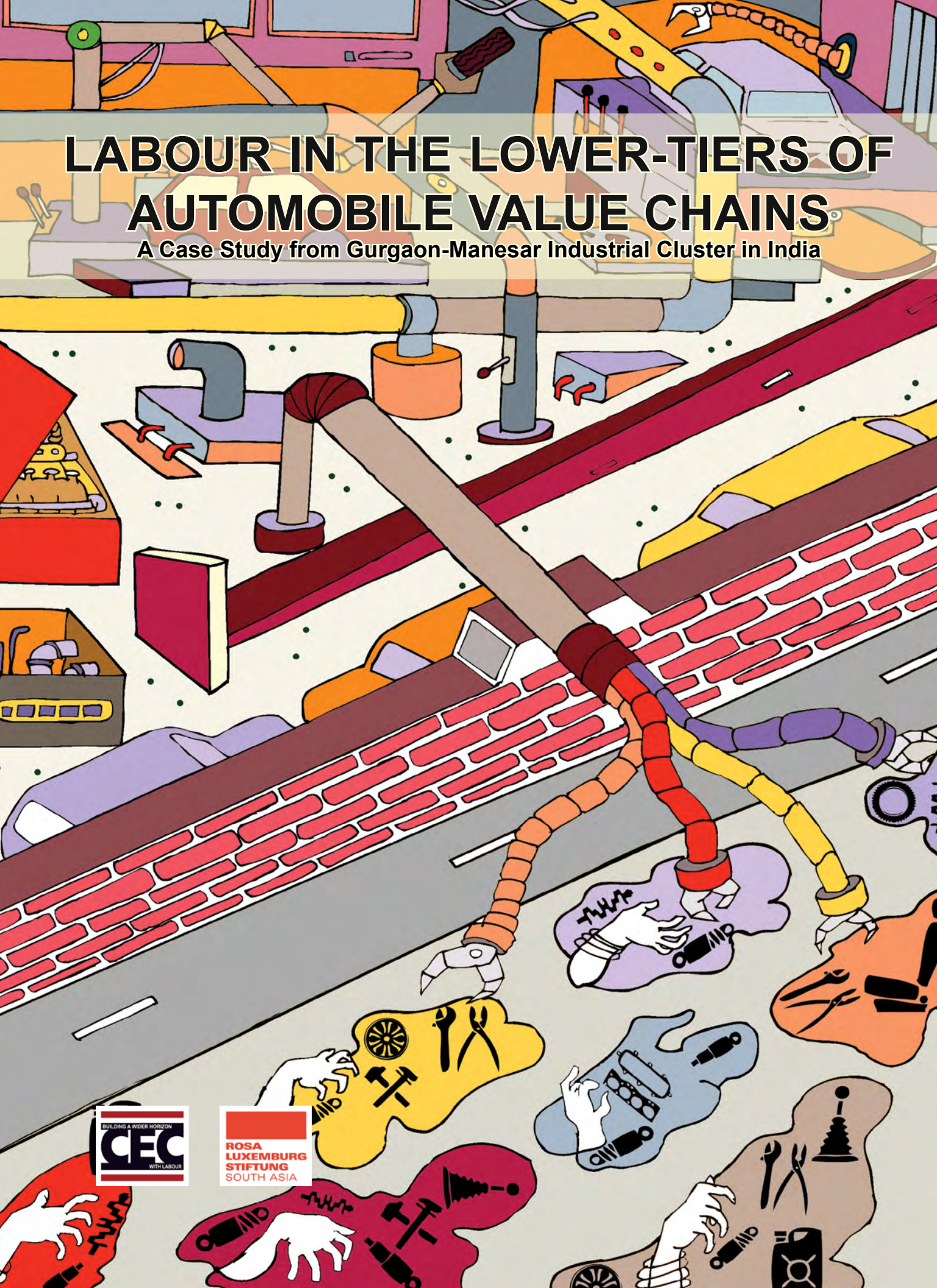


LABOUR IN THE LOWER-TIERS OF AUTOMOBILE VALUE CHAINS

A Case Study from Gurgaon-Manesar Industrial Cluster in India



Labour in the lower tiers of Automobile Value Chains: A Case Study from Gurgaon-Manesar Industrial Cluster in India

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Shreya Ghosh

Centre for Education and Communication (CEC)



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Abbreviations

ACMA	- Automotive Component Manufacturers Association of India
DMIC	- Delhi Mumbai Industrial Corridor
FDI	- Foreign Direct Investment
GVC	- Global Value Chains
ILO	- International Labour Organisation
IMT	- Industrial Model Town
MSME	- Micro, Small and Medium Enterprises
MUL	- Maruti Udyog Limited
NCR	- National Capital Region
OEM	- Original Equipment Manufacturer
SME	- Small and Medium Enterprises

Foreword

India is the seventh-largest manufacturer of commercial vehicles in the world and the auto sector contributes as much as 49% to India's total manufacturing Gross Domestic Product. The sector is deeply embedded with the Global Value Chains and is characterised by spatial dispersal of production and supply networks. While the auto factories are witnessing a consistent decline in the proportion of permanent workers to the casual and temporary workers, the sector is also linked with a vast network of informal workers, who work in small workshops and their homes, far away from the big factories, and supply this or that component of the final product to the factory through various sub-contracting firms. With this, the neighbourhood is literally becoming an extension of the factory, thereby augmenting significant socio-economic changes in the neighbourhood, with important implications for questions of effectiveness of existing labour laws, ensuring trade union rights and identification of the employer-employer relationships. I am happy to present before you the following study on the automobile sector in the Gurgaon Manesar industrial cluster in India, with an

especial focus on the lower tiers of the value chain. While there have been many recent studies on the automobile industry in the country, especially with regard to factory based labour militancy and unrest, the lower tiers of the automobile value chain remain under-explored, in striking parallel to the invisibilised workers who labour in these lower but crucial nodes of the value chain. The study brings to the light how the big factories and the firms are complexly articulated with the equipment suppliers and how decent work remains a chimera in these segments of work, in terms of access to social protection, occupational safety, transparency in job contracts and labour rights.

I thank Shreya Ghosh for taking the lead in executing this study. Bhagwati Prasad prepared excellent design and layouts for the study and I thank him as well. Many thanks to the Rosa Luxemburg Stiftung- South Asia, especially Jakob Littmann and Rajiv Kumar, for the generous support, which made this study possible.

Lokesh

Executive Director,
CEC
December 2021

Introduction

In this study, we will look closely at the conditions of work and the labour regime existing in the lower-tiers that make up a global value chain. Labour Process in automobile industry of India have been studied extensively but with focus mostly on first and second tier companies and their workers. Apart from passing reference, there is hardly any mention of the lower tiers of automobile sectors, tracing them from small factories to workshops and home-based production units. This study, within its limited scope, is an attempt to break the invisibility around labour conditions in the lower-tiers of automobile industry. But before we go into details, we glance through a broad history of this sector in India.

The early 1970s marked a shift from import substitution industrialization (ISI) to export-oriented industrialization (EOI) in developing countries. Thus, the development trajectories of the newly independent countries radically altered. In India, a dirigiste economy gave way to liberalization in the 1990s. Such policy interventions triggered paradigmatic alterations in industrial policy directions. The meant a greater integration with the world economy. India's policy imperatives aimed towards more and more integration with the world economy to augment higher value-added activities amidst the burgeoning global value chains or global commodity chains. The automobile sector in India became the deus ex machina driving such changes. Post-1990s, the Automobile Sector in India has witnessed epochal changes: the arrival of new players, the increasing role of Foreign Direct Investment (FDI), the emergence of the just-in-time production and the development of manufacturing clusters with the greater integration within the global production networks. Globalization of production processes also brought about a

restructuring of the international division of labour.

The International Labour Organization (ILO) in a report, “The Future of Work in the Automotive Industry”, examines the opportunities and the challenges that the automotive industry is facing in the 21st century. The report states: “...*The automotive industry will need to advance other dimensions of decent and sustainable work in order to promote a just transition to a future of work that contributes to sustainable development in its economic, social and environmental dimensions.*”¹ We can see the importance of the automobile industry in harnessing resolutions to critical issues central to questions of labour. Therefore, a discussion of the automobile industry regarding its employment relations and work conditions becomes imperative. In this regard, this study aims to investigate further the concerns raised in the ILO report.

The focus of this study is confined to the Gurgaon-Manesar Industrial Cluster. In this region, one witnesses that the lower tiers of the global production networks are majorly composed of small and medium manufacturing enterprises. These manufacturing units have varying degrees of automation and are marked by the increasing informalization of labour relations. Mezzadri’s claim that globalization of production has proceeded at the same pace as informalization has been corroborated in this study.² Case Studies from the Kadipur Industrial Area, a part of the Gurgaon-Manesar Industrial area, vividly illustrate the link between production practices with theoretical generalizations. Primary data for the study has been collected through in-depth, open-ended interviews with owners of various small and medium manufacturing enterprises, workers, union leaders and labour activists. The different elements which make up the manufacturing cluster have been factored in, to allow the study to provide an over-arching picture of the industrial labour relations in the sector.

1 ILO. 2020. *The Future of Work in the Automotive Industry: The need to invest in people’s capabilities and decent and sustainable work*. Available at https://www.ilo.org/sector/Resources/publications/WCMS_741659/lang--en/index.htm.

2 Mezzadri, A. 2010. Globalisation, informalisation and the state in the Indian garment industry. *International Review of Sociology*, 20(3), 491–511. Available at <https://doi.org/10.1080/03906701.2010.511910>

The field visit for the study was done in Kadipur Industrial area, located within Gurgaon old city, Haryana. Interviews with owners and workers were undertaken in the months of September and October of 2021. Ten employers of small industrial set-ups and around twenty workers from different factories were interviewed, apart from conversations with several others in the area to understand the overall situation of working and living conditions.

The report has three chapters. In the first chapter of the study, an overview of the emergence of the automobile industry in the post-1990s period has been provided. Key policy proposals, viz. enhanced influx of FDI and the emergence of manufacturing clusters around an Original Equipment Manufacturing Plant (OEM) is dealt in some detail. The second chapter shifts attention to the development of the Gurgaon-Manesar Industrial Belt as a leading manufacturing hub of automobiles in India. The factors and the market processes which led to such an outcome are discussed in the chapter. The third chapter examines the Kadipur

Industrial Area, a critical region in the Gurgaon-Manesar Industrial Belt, comprising of small and medium manufacturing enterprises, which are linked to the OEMs that make up the automobile sector in India. The chapter also takes up case studies to showcase the industrial relations, work conditions and the labour regime in the region. The last chapter summarises the study by bringing up the key issues on industrial relations, work regime and labour relations in the Gurgaon-Manesar Belt. Finally, certain policy proposals and interventions are hinted at to address the problems of decent work deficit and sustainability of the automobile sector in India.



Automobile Sector in India- An Overview

After independence, India promoted an Import Substitution Industrialization policy under a dirigiste economy. Industrial development was mainly dependent on public investment, with some space for the private sector. This policy began to change from 1980s onwards, and especially after the liberalization of the economy from 1991, one witnesses a radical shift in the industrial policy. From import substitution, India aspired to integrate the economy more and more to the global economy and the new motto was to link different industries in higher value-added activities in the global value chain. The automobile sector, for India, has been a key sector for this purpose. With the arrival of new players, growing role of Foreign Direct Investment, adoption of sophisticated technology, new work organization, just-in-time production, development of clusters and rapid integration of clusters from 2000s with global production networks, brought a drastic transformation of the sector. It led to serious consequences for the labour regime and labour process which we will look at more closely.

In India, the growth of automobile industry is marked by substantial development of domestic market of two-wheelers and also of four-wheelers and transport vehicles, with road transport gradually becoming major mode of transport. Indian economy has seen large scale FDI in automobile sector in recent years and this sector has also been an important influencer in the government policy. Policy discussions mention the future scope of catching the market of electric vehicles and also of the automotive vehicles and emerging market opportunities are seen to move to these sides.

The globalization of production, trading and services and the vertical integration of multinational companies are significant changes that

have ensured far-reaching consequences for the labour processes and work conditions. Such changes have led the Corporations to reformulate their core competencies by focusing on marketing and product strategy or high-value-added division of the manufacturing process such as research and development. It has also shifted the manufacturing of parts to contractors and sub-contractors, thereby decreasing direct ownership and responsibility. Therefore, over several decades, we have witnessed the steady ossification of a flexible regime of capital accumulation, increasingly being characterized by just-in-time production or lean production, a phenomenon that has spread like wildfire, across the globe.

It is increasingly observed that in the automobile sector, the Original Equipment Manufacturers (OEMs) often resort to subcontracting, especially in cases of non-core activities, to their tier-1 and tier-2 suppliers. The first and second tier companies bring products from smaller companies and sub-assemblies ready to be supplied to the OEMs. Metal forming and heat treatment plants are important components of third tier activities. However due to initial high investment owing to use of latest technologies, new entrants of this field were restricted in the 2000's. The de-licensing of car production in 1994 by the Indian government has helped the entry of quite a many global players. They have increased not only the vehicle output of the country, but also production of a whole range of new products. In 1997, a new government policy allowed the localization of 50 % of production within 3 years and later 70 % of production within 7 years, thereby opening the market further. This further strengthened the integration of the Indian automobile sector with the global supply chains. Now these firms not only produced cars, but could also export components and ancillaries.

As the production network on a global scale has widened and deepened, the auto-parts export is growing faster than the assembled car export, integrating the component suppliers on a global level since 2008. Since 2009, the share of car component imports for local assembly are growing faster than the local parts manufacturing and

are mostly from Thailand and South Korea. Assembly plants in India are using more parts from import, whereas the part manufacturers in India are sending increasingly more parts in export, compared to the local assemblers.

The shift to the Global South of labour-intensive manufacturing in search of cheap labour was enabled by various international trade agreements. Subsequently, Global Production Networks took shape, aiding industrial capabilities in many developing countries while reserving Research & Development for developed nations to maintain a flexible regime of capital accumulation predicated on relative surplus-value. This was then linked with the already existing process of informalization of workforce within the industry and integration of small-workshops and home-based productions into the value chain, in the name of 'flexible-specialization'. All these factors raise serious concerns for question of decent working conditions in the automobile industry.

While the fact of automation and introduction of robotics in the industry has been widely discussed, the following chapters would show how this has not been uniform across the supply chain. While varying degrees of automation and application of robotics has happened in the first and second tiers of production processes, the lower tiers of production still remain extremely labour intensive and hazardous.

The ILO report on "Future of Work in the Automotive Industry"³ while pointing towards digitization and other technological changes happening in the sector, and the requirement for training and skill enhancement, also points towards the need for ensuring decent work standards, rights at work and social protection as the industry transforms.

Recognizing how certain categories of workers like temporary, part-time, self-employed workers, or "those with unclear employment

³ ILO. 2020. *The future of work in the automotive industry: The need to invest in people's capabilities and decent and sustainable work*. Available at https://www.ilo.org/sector/Resources/publications/WCMS_741659/lang--en/index.htm.

relationships”,⁴ are seldom covered by social protection systems, ILO recommends that Governments need to take added efforts to overcome the challenges to decent work that emerge out of such conditions. But such recommendations have hardly seen the light of the day, while flexibilization, informalization and resultant precarity of work has only intensified. Freedom of forming workers associations, scope for collective bargain processes, implementation of basic social security protections, as recommended by the ILO, remain a farfetched scenario when it comes to the lower segments of supply chains.



⁴ Ibid. p.42

Automobile Sector in Gurgaon-Manesar-Dharuhera-Neemrana Industrial region

The three major automobile clusters in India are located in the northern belt, Chennai and Pune and some parts are in the Gujarat and Uttarakhand. The northern belt cluster, which is the newest, developed with the setting up of the Maruti factory in Gurgaon 1983. The northern cluster comprises of the national capital region (NCR), which includes 3 states: Haryana (Gurgaon, Manesar and Faridabad), Delhi, and Uttar Pradesh (NOIDA and Ghaziabad). It forms the core of most supplier companies as is clear from ACMA's estimates that there are more than 250 supplier companies in this region. The northern belt is also an important node of the Delhi-Mumbai-Industrial-Corridor (DMIC).

a) Understanding the Production Network:

With three decades of leading in passenger cars and two wheelers, Maruti Udyog Limited (MUL) and Hero Honda (which began its operation in 1984) had a strong standing mostly with the help of Japanese investment. Post 1980's, the demand for automobile was beginning to rise and with growing liberalization which facilitated joint ventures between foreign and enterprises, there was a further restructuring of production. Soon, through backward linkages, small and medium enterprises (SME's) entered the market and some of them even ended up becoming large enterprises eventually. In the post-liberalization period, Indian economy got deeply integrated with the Global Production Networks. We can observe a shift in policy of look outward since the early 1980s, with the creation of Maruti Udyog Limited in 1983, which was a joint venture of the Government of India and Suzuki Motor Corporation, and the establishment of Hero Honda in 1984, a joint venture of the Hero Group with Honda company.

Gurgaon-Manesar-Dharuhera-Neemrana industrial belt is a skewed success story favouring the company managements with obvious underlying political imperatives. It is also a critical branch among the six investment regions of the Delhi-Mumbai Industrial Corridor. Over the years, a range of industries from technology and capital-intensive automobile companies to labour-intensive garment companies and an outbreak of IT sector services have flourished in this region, nurtured by the Indian state. Thereafter, this region turned into a testament to the success of urbanization and industrialization. However, the high glass towers and polished highways of the region obscures a threatening reality of teeming millions, living in abject poverty and denied a living wage and proper living conditions.

The major companies like *Maruti Suzuki* (Gurgaon, Manesar), *Honda 2-wheeler* (Manesar, Tapukara), *Hero MotorCorp* (Gurgaon, Dharuhera, Neemrana) forms the heart of the automobile sector in this region. These companies generally are classified as Original Equipment Manufacturers (OEMs), and only assembling of auto components are being done in these companies and not production of component parts. The 1st tier supplier companies like *Bosch*, *Ceat*, *Bridgestone*, *Denso*, *Delphi*, *JK Tyres*, etc., supply auto-parts to OEMs. These supplier companies have other vendors providing them components for auto-parts. Thus second, third, and fourth-tier suppliers integrate the production network with deep backward linkages marked by informalized workshops and home-based productions.⁵

The just-in-time production regime of the automobile sector requires seamless supply of component parts throughout the day and night for production to continue. Components are not stored in large scale in any inventory but are fed directly from the multitasked assembly lines. Supply becomes a seamless activity for the almost 250-first-tier component suppliers including the 20 global suppliers and hundreds of lower-tier suppliers for OEM like Maruti. Maruti Suzuki keeps 'no single source'-policy, which means for many of the component parts

5 Amit and Jyoti, N. 2018. "Changes in Production Regimes and Challenges to Collective Bargaining: A study of the Gurgaon Industrial Belt", Centre for Sustainable Employment, Azim Premji University, Working Paper 18/2018.

there are multiple suppliers. Maruti receives many supplies in a single day within a gap of two hours by sending the information to its suppliers the previous night. That's a radical transformation from the 30-day or later 15-day cycles that Maruti had employed in previous times.

Methods like electronic flow, modern technologies and materials (like plastic in place of a previously used metal fuel tank) are continuously adopted in the production process (in Maruti, or in automobile in general?). Global suppliers came to India after the changes in policy regime in the late 1990s, which immensely increased competitiveness. A spectrum of technologies like chassis, wiring harnesses, AC components, powertrain components etc. were brought by global suppliers like Delphi and they became Maruti's suppliers too. Maruti continuously pushes its vendors, to reduce cost. Initially, the company cut down the production cost by 2-3 per cent and by 2006-07 it even brought down that by further 5%. Maruti also connected many new global suppliers in their supply network, like Faurecia supplying seat mechanism, Bosch and some Japanese vendors like Dentsu, Continental and Sumitomo Metals, all with a global operation.

b) Urbanization process and the making of working-class in Gurgaon

Attempts to urbanize Gurgaon had started with British colonization, especially under Frank Brayne, designated as Deputy of Gurgaon during the 1920s. But such attempts were largely not successful.⁶ It is in the 1980s that Gurgaon began to evolve as the site of industrial projects, infrastructural and road development, and thereby attracting large scale migrant workers, resulting in population growth and urbanization. Unlike other adjoining areas of Delhi like Faridabad, Gurgaon had larger land holdings, which made it is easier to acquire land for industrial and real estate development. From 1990s onwards, Gurgaon industrial areas started expanding into adjoining Manesar and further on to Dharuhera – Bawal – Neemrana. The entire expanse is part of the proposed Delhi Mumbai Industrial Corridor (DMIC).

⁶ Debroy, Bibek, and Laveesh Bhandari. 2009. *Gurgaon and Faridabad—An Exercise in Contrasts*. Center on Democracy, Development, and The Rule of Law, Stanford University.

There is sharp segregation spatially and, in the laboring & production processes within the industrial zones. The Gurgaon, Manesar industrial belt up to Bawal- Neemrana are dotted with large manufacturing plant complexes, mostly export oriented automobile or garment firms. On the first appearance, the production processes in these large factory plants like Maruti and Honda, look extremely sophisticated and highly mechanized. This appearance comes across as a contrast to the other relatively older Delhi industrial areas like Shahadra, Wazirpur, etc., where the workers work in dingy small workshops in obviously hazardous, unsafe working conditions. The large plants in the automobile sector are highly robotized, and some of the managements even extend bus services to sections of the workers.

Hence the appearance is of a less polluted and high-end technology driven production process. These are the sites of the first and second tier production where mostly assembling is happening. The workers are also coming from IIT or more trained backgrounds. The third and fourth tier production is segregated sharply from the first and second tiers. The third and fourth tier production in Manesar and Gurgaon industrial belt happen in smaller workshop or home-based set ups which are quite apart from the large factory plants. Hence there is a sharp production-based segregation which leads to segregation in labouring processes and spatial segregation. Even within the large factory plant complexes, which are the sites of the second and third tier assembling based production, while mechanization is high, the factory floor is segmented.

c) Understanding the Labour Process:

As mentioned above, even in the bigger, sophisticated factory production spaces, work conditions at the floor space are quite abysmal. Availability of a huge reserve army of labour has ensured the sustained precarity in which workers are made to work. Initially within the Maruti Suzuki, Gurgaon as well as the Manesar plant, each worker was mandated to produce within certain stipulated seconds, in the assembly line. This situation marginally improved with the strikes and workers' agitations through the 2013-15. But great deal of it continues

with contractualization of labour. The big factory premises show the parallel existence of sophisticated mechanization, existing side by side with manual labour driven to its bare minimum, low wages, extended hours of work, often without overtime, making use of the available reserve army. Thus, within the plant space as well, production is segmented with one segment robotized, while there is use of cheap labour and crude technology in another.

The breaking up of the production process into third tier and fourth tier production ranging from home based to small workshop-based production is the other kind of segmentation in the laboring process. Due to presence of the same cheap labour and huge reserve army, the lower segment of the supply chain becomes the main source to produce more and more absolute surplus value with prolonged working hours, burden of overtime at a dismal wage rate and often precarious working condition to contribute to the value added in the production network. They absorb the main burden of cost cutting and pressure due to profit squeeze, from the upper segment constituting the lead firms and the component assemblers in the first-tier. This results in structural unevenness along the supply chain. In the present study we will focus on this segment.

The sophisticated segments of production networks, are also not free from dismal work conditions, exploiting the cheap labour and job insecurity due to the existence of huge reserve army of labour. The paint shop at the Maruti Suzuki Manesar plant reflects the curious combination of brutal physical labour and sophisticated robotic technology. On one side 10-12 painting robots are employed, but simultaneously on the other side, workers are to carry 25-30 kilo head loads of screens already used and to go up two flights of stairs, then to return with a 25-30 kilo head load of clean screens. They also to work an extra hour with no pay if by the end of the shift the job is not completed. This unevenness exists as apart from the mechanization of a segment of production that is required to maintain the quality or standardization of products. Firms operating in low-wage regime find it cost-effective to maximize the use of cheap labour in other segments

of production rather than automating everything.

The last two decades have seen major changes in the production and labour regimes. This entailed capacity to quick diversification of production in multiple units, introduction of new technology, and flexible labour regimes. Automobile sector is quick recipient of new technology and automation. Hence the initial control over production processes that skilled workers gained with experience reduced over time, with workers in real sense becoming appendage to machine. This has allowed huge space for the companies to make the labour intake flexible. Expansion of the Delhi-Mumbai Industrial Corridor, proliferation of vendor and ancillary units and the flexible intakes, has made the corridor a destination of lakhs of workers from Himachal, Orissa, Chhattisgarh, Bihar, among others. After a round of initial labour unrest, the companies have also taken up a conscious policy of not employing many workers who are locals, having deeper regional connectivity and hence greater bargain power, rather companies encouraged employment of migrant workers on casual basis from distant locations.

As the Gurgaon-Manesar automobile cluster developed over time, it developed strong backward linkages extending to informal slum production which has led to regional unevenness. The earlier industrial areas or workers' jhuggis which emerged as the center of industrial activities in the 1970s or 80s in Faridabad or Ghaziabad but later got overshadowed and eroded with the shifting of center of industrial activity to Gurgaon or NOIDA, got gradually co-opted in the extended labour process of automobile production centered in Gurgaon cluster. This provides a low wage labour-intensive regime with minimal bargaining power of workers for the outsourcing of hazardous or labour-intensive work from the Gurgaon cluster. Thus, the global destination of automobile production under Global Value Chains (GVC) feeds on the backwardness of its periphery. Labour process of old and eroded industrial base is formally subsumed under the new capital.

Much literature has been written on the “within factory labour process” of the automobile industry, focussing on the question of increasing speed

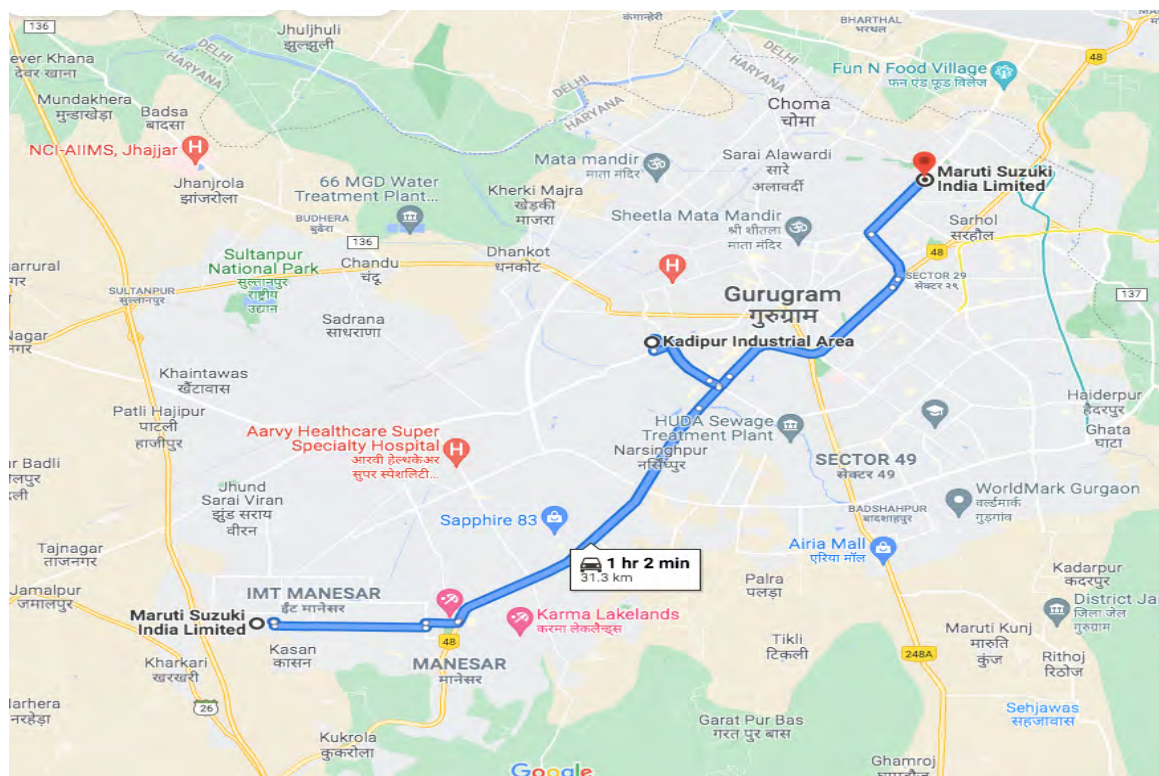
of conveyor belt in the production process, the increasing robotization, the deskilling and the alienation of working conditions.⁷ Literature have also focussed on the increasing segmentation of labour within the factory into various categories like, Permanent, Contract, Trainee, Student Trainee and so on and how over the time the lower end of this segmentation is increasing in number with respect to the total number of workers working within the factory premises. The management policy has been tilted towards increasing disparity and segmentation within workforce, to break the unity of the workforce within the factory and the difference between the salaries of the permanent workforce and the Student Trainees increased over the time. But a large portion of the value production is not happening within the factory and hence it is important to trace the lower-end of the value chain, which is basically tracing the old industrial areas of Gurgaon, Faridabad and elsewhere, the home-based production in the nearby villages and slums where many component parts of the OEMs are produced and the formal brands take no responsibility of the working conditions in those places. In the present fieldwork, we have focussed on one such particular area, namely, 'Kadipur Industrial Area' in Gurgaon old city to understand the labouring conditions in the lower-end of the automobile value chains.



⁷ Jha, Praveen & Amit Chakraborty. 2014. *Post- Fordism, Global Production Networks and Implications for Labour: Some Case Studies from National Capital Region, India*. Institute for Studies in Industrial Development.

Lower-tiers of value chain in Gurgaon Automobile Cluster: A case study of Kadipur Industrial area

Kadipur Industrial Area located in Gurgaon houses various 2nd, 3rd and 4th tier supplier companies, making it an integral part of the Gurgaon-Manesar industrial belt, especially of the automobile cluster in this region. The majority of the companies in this Industrial Area manufacture components for auto parts for the domestic market, but some companies with mechanized factory floors export their products. Some companies in this area produce medical appliances like oxygen cylinders and equipment required in other industries.



(Screenshot from Google Map, location of Kadipur shown with Maruti Gurgaon Plant and the Manesar Plant, at the heart of the Old Gurgaon City)

The factory floors of all the companies in this area can be classified as informalized sweatshops, employing workers in the range of 10-15 workers. Therefore, they come under the government category of Micro, Small, and Medium Enterprises (MSMEs), with investment in plant & machinery not exceeding ten crores. Some owners have deliberately registered more than one company in their name, to acquire benefits granted to the MSME sector in India. For instance, the Pooja Engineering, manufacturing many kinds of auto parts, Monika Engineering Works, manufacturing many kinds of metal sheet components, and Shri-Shayan Enterprises, manufacturing Castor & Trolley Wheels belong to the same owner, and the factory floors of each of the three companies are adjacent to one another and have a single office belonging to a single owner. Conversely, there also exists owners with a single factory floor where investment in plant & machinery does not exceed more than five lakh rupees classifying them as micro-enterprises. These micro-enterprises have been the worst hit during the lockdown triggered by the Covid-19 pandemic, while the small and medium enterprises survive with life support with very few standing up on their feet and running.



(Kadipur Industrial Area)

Some companies which are export oriented, have fared better than ever since the pandemic, as their return of investment has been significant even if not similar to the earlier rate. But companies producing for the domestic market have been hit the hardest, as a shortage in semi-conductors imported from countries like Japan and South Korea has reduced production in OEMs and subsequently reduced demand for components for auto-parts down the supply chain. The raw materials for major companies come from local markets situated in Gurgaon (Haryana), Rajasthan, Gujarat and Uttar Pradesh but some companies import their raw materials from countries like China too. On the other hand, some companies receive their raw materials like metal sheets and nuts & bolts from other companies in Kadipur Industrial Area. Thus, companies in this industrial area are a part of a complex production network which a passing glance will miss. Below are two case studies showcasing how companies in this industrial area are part of a globalized production network in an attempt to remove the obscuring cobwebs of 21st century's flexible specialization.

Case-I:

SS ENGINEERING INDUSTRIES [Precision Auto & Engineering parts & Any Type of Tool Room Works] manufactures components for shockers and employs around 6-7 workers. It is a 2nd tier company supplying components for shockers to Munjal Showa (IMT Manesar) and M&M Auto. The raw materials required to manufacture these components come from Haryana (Gurgaon), Rajasthan, and Gujarat markets. Munjal Showa is also a vendor company for Maruti Suzuki plant in Gurgaon, supplying shockers and car balancers.

Before the pandemic, work hours used to extend up to 12-14 hours, with overtime payment at single rate in this company. After the pandemic stuck, work has reduced to just 8 hours, due to reduced demand of work. Reduction in wages has accompanied reduced work. Earlier, workers received Rs. 16,000-17,000 per month, including overtime, but now the wages have come down to just Rs. 10,000 per month.



(Factories at Kadipur, with workshops at the ground floor and workers residing at the upper floors. Working hours in these workshops are completely unregulated)

Case-II:

JAS ENTERPRISES, GURU NANAK ENTERPRISES and AASHA ENTERPRISES are three companies belonging to three brothers who had come to Gurgaon in the early 1980s from Amritsar to do business. Earlier their company manufactured axle for Sona Steering, which was a vendor company for Maruti Udyog Limited (MUL), but since then they have been relegated further down the supply chain. The owners further added that they still manufacture for the OEMs like Hero Honda and Maruti Suzuki, via a supply chain, but they did not disclose the names of the companies through which they are networked. Moreover, they have diversified their production process to other products to make up for the loss in the automobile market. One such company that they are a 2nd tier company is Gillette. In two of the shop floors among three, they employed 7 workers (4 males and 3 females) who were responsible for making Gillette razor moulds. They refused to disclose details regarding the third factory floor.



(Jas Enterprise supply parts for Gillette razor. Earlier, they used to supply axle to a vendor company of Maruti)

The owners added that the production in their factory floor has backward linkages to villages around Gurgaon. It is home-based production, primarily done by women, and forms a major part of the products are brought in to the factory floor from these villages polishing and final fine-tuning before they can be sent to the companies. They didn't disclose the names of villages where such production occurs, but indicated that it's a common occurrence in villages and slums in and around Gurgaon especially Kadipur Village, Sukhrali Village etc. The raw materials required are procured from nearby markets in Pataudi Road, Honda Chowk and Basai Road. They produce mainly for the domestic market and delivery is done around 2-3 times in a week.

Other Cases:

It is difficult to discern the supply network in the automobile industry, as the linkages are kept under wraps further down the supply chain. Workers are mostly unaware of the companies which place order. The companies which mostly places order to companies in Kadipur Industrial Area belong to the 2nd tier or 1st tier. A differentiation of firms exists. Some firms which are export oriented or supply to 1st tier companies have a larger rate of investment and are more well-entrenched into the network than smaller firms supplying for 2nd tier company. The companies which are export oriented and supply



(Factory Floor of JAS Enterprises, producing component parts of razor)

to first tier companies also are highly mechanised in some cases. Some workers who are aware of the companies to which products are supplied, nonetheless find it difficult to trace out the entirety of network, which end at major OEMs like Maruti Suzuki and Hero Honda. Some of the older and experienced worker do appear to have such information, but they refuse to share these openly. Owners vaguely provide some information, but usually mention the OEMs with which they are networked with, rather than naming the vendor company with which they are in business. For instance, the Shaad Steel Workshop does steel cutting related jobs for various automobile companies, but refused to share the details.

JYOTI ENGINEERING is a 3rd tier manufacturer of components of auto-parts. Parts of gauge fixture used for car checking is manufactured here. It employs 10 workers, including skilled workers and managers, who are paid wages in the range of Rs. 7000 – Rs. 40,000 after the



(Shaad Steel Factory of Kadipur organises industrial cutting of steel sheets and this service is used by various supplier companies)

pandemic. This company is a supplier of J-TECH company, which is a major supplier of 1st tier companies and OEMs.

SAGAR FRP INDUSTRIES (Plot no-475, Street No-7) procures their raw materials from markets in China and from local markets of Uttar Pradesh, Rajasthan and Gujarat as well. They do delivery of their product around 10-15 times in a week. Some client company also pick up their order. No information was shared regarding the companies with which business is done but the office worker pointed towards a board, which indicated the companies that the Sagar FRP Industries engaged in business. Suzuki Motorcycle Pvt Ltd, Maruti, HeroHonda corp, AG Industries, JB Maruti group, Ashok Leyland, Honda Motor Cycle and Scooters India Pvt Ltd were the companies that this company was said to be linked.

Working conditions in Kadipur Industrial Area:

Workers in the Kadipur Industrial Area are part of the informal workforce

of India. They are largely bereft of the framework of labour rights and social security that a permanent worker is entitled to. The majority of the Informal Sector workforce has to work in precarious working conditions and dwell in inhabitable living conditions.



The workers in the Kadipur Industrial Area are migrants from the neighbouring states of Bihar, Uttar Pradesh, Uttarakhand, and Rajasthan. A significant number of the workers also belong from the state of Haryana, mostly from nearby villages of Gurgaon. Almost all workers who work in this area have left families in their native place and sends a part of their remuneration regularly.

A deluge of workers who are new to this industry has also arrived to find some work after the pandemic. Most of these workers had a small business or were self-employed either as auto-driver, garment shop owner, grocery store owner, and electronics shop owner. Due to the pandemic, they were hit hard which led them to sell their varied establishments and lost all their savings. In addition, they drew out loans from informal sources to meet expenses during the second lockdown. Most of these workers are between 35-40 years old and some of them were even stepping into their late 50s.

Rakesh, who belongs to Aligarh, Uttar Pradesh used to drive an auto. His monthly earnings were between Rs. 15, 000-17,000 but he was trudging the many lanes of the Kadipur Industrial Area to find some work. He had also found work in a company as a helper but left it after 2 days due to a low wage of Rs. 6000. He was in his mid-30s and had left his wife and two sons back at home. He was worried about his sons' schooling and the repayment of the loan which was due.

Another worker who was traversing the Gali (Street) Number 8 on Gandhi Jayanti when most of the factories were shut said that recently his daughter had been married off which added a lot of pressure on him to pay the loans which were accrued to meet the expenses. Moreover, his small garment shop had run out of business due to the pandemic. He found a job in a company the name of which he couldn't recall. Neither could he inform what kind of parts were being made in the factory as he said he was only a helper.

The workers who worked in this region before Covid-19 induced lockdown said that they used to work 12-14 hours on average every day to meet company demands and also their needs. They used to receive overtime for extra working hours at a single rate, i.e., at the same rate as that of their regular hourly wage. The average salary for most of the workers ranges between Rs. 15,000 – Rs. 20,000, inclusive of all overtime, bonus and others.

There exists a differentiation wage on the factory floor. Before any further elaboration, we need to keep in mind that the factory floors of the Kadipur Industrial area have 10-15 workers on average. Some factory floors only have 5-6 workers. Even then on every factory floor, a differentiation of wages exists. Helpers receive the lowest wages. They don't have fixed work. They work as aides to the more experienced workers and are expected to learn the work from them.

Workers can remain a helper for as long as two years after which they are likely to be designated as workers accompanied by an increase in wage. The most experienced workers who are responsible for the most specialized kind of work have a wage that ranges between Rs. 35,000 – Rs. 40,000. These extreme figures are misleading, as only a small fraction of workers belong to the either ends of this spectrum. Receiving a wage ranging between Rs 15, 000 – Rs. 20,000, was the reality for most of the workers in the time before the lockdown.

Workers of Kadipur Industrial Area, get a lunch break from 1 pm to 1.30 pm. They are not provided any food on the factory premises. Rather they are expected to bring their food or travel back to their rented accommodation where ever it is, for food during this half-hour break. At the entrance of the Kadipur Industrial Area, there is a canteen, below a paying guest facility, but workers seldom come to eat there. They get as many breaks needed to drink water or go to the toilet, but are under constant supervision of their owners and supervisors. Not all companies have a supervisor. But every factory floor has its owner's office constructed at such a place, either above or at an angle from where everything is visible, that nothing can escape their vision. Some company owners even direct the workers through laser lights sitting inside air-conditioned glass cubicles.

Dynamic Industries which manufacture components for auto-parts for export purposes employs only 7-8 workers. The factory floor is highly mechanized which distinguishes Dynamic Industries from companies which are situated in the Kadipur Industrial Area. Even after the pandemic work hours have remained around 10-12 hrs with 2-4 hrs of bonus payment at a single rate. They deliver their product 2-3 times in a week and the workers receive wages in the company within the range of Rs. 19, 000-Rs 24,000 monthly.

Satyaveer from Aligarh works at Jyoti Engineering which is a part manufacturer for gauge fixture used for checking parts

of an automobile. The company employs 10 people and they receive wages in the range Rs. 7000 – Rs. 40,000 (post pandemic figures) where the lowest amount is received by the helpers and the highest is received by the workers who are responsible for dyeing. The increase in salary is directly proportional to an increase in skill and skill enhancement. Earlier, the workers in this company used to work for 10 – 12 hrs per day with bonus payment at a single rate with wages between 11,000-15,000 to 45,000-50,000, but now work has reduced to only 8 hrs.

Multan Steel Corporation employs 5-6 workers and deals in Spring Sheet and Pipe in all Grades and Sizes. Component parts for bike and car parts are manufactured in this company. The component parts are filled in plastic bags and delivered 4-5 times per week. The production mainly takes place for the domestic market. Workers in this firm used to work 10-12 hrs before the pandemic, receiving a wage which would amount to Rs. 10,000 – 15,000, including overtime pay at single rate. After the pandemic, there has been a reduction in work, along with reduction in wages. The reduction in wages was as per the kinds of work done by different workers. In fact, a makeshift Quarantine Centre was also constructed at one corner of the factory floor, which remained dilapidated at present. All the 10 workers who were working in the company were hired back to after work resumed.

Most of the companies employing 10 or more than 10 workers provide the workers with Employees State Insurance (ESI). But no company provided the workers with Provident Fund (PF). Although most companies had reduced the wages of the workers after the pandemic but some provided them monetary aid during the shut-down as well as ration items. All the companies ensured that their workers wore masks and sanitized themselves before and after they entered the factory floor. No worker was encountered who was afflicted by Covid-19.

Dibakar from Bihar works at Chaudhary Engineering which manufactures components for auto-parts and repairing works, and he has a monthly salary of Rs. 15, 000. During the pandemic when production was shut for 4-6 months, his company provided half-salary to all workers with the help of which the workers travelled to their native places.

A worker working in MNP Fastner which manufactures bolts & screws said that the company employs 10-20 workers. The workers receive a wage ranging between Rs. 7,000 – Rs. 15,000 although the overtime payment amounts to Rs. 9,000 – Rs. 17,000. The company even provided 1 month salary during the lockdown period. Some workers in the company were not hired back after the company resumed production. All the workers receive ESI but not PF.

Raju (name changed) who couldn't remember the name of the company he worked in as he joined a few months back and was relatively new to the area that his company employs 12-13 workers and each of them receives ESI. He also said that during the pandemic workers in the Kadipur Industrial Area received ration provided to them by the Chairman of Nagar Nigam.

These workers have in their possession ESI cards and visit the ESI hospital for any medical emergency located at Sector-9 Gurgaon (Haryana). Some workers who were not paid ESI were completely unaware of such arrangements and workers who said that they receive ESI couldn't locate ESI hospital. Some workers even reported that if some medical emergency arises out of the factory floor, they are seldom admitted.

The owner of Jas Enterprises (Plot no. 89, Hall No. 2, Lane No. 3, Street No. 8, Kadipur Industrial Area) said that all

workers in this company get ESI payment and have ESI cards in possession which enables them to visit ESI hospital at Sector 9 Gurgaon. But when the workers of the same company were approached, they confided albeit with much caution, lest they are heard, that the owner provides no ESI. In addition, they said that no company in that particular lane of the area provided ESI to workers. When the workers working in other factory floors in that place were asked about ESI they responded similarly – that ESI is not provided to any worker working in this lane.



(Picture of Chhvi Engineering Works at Kadipur)

In Chhvi Engineering Works too, workers were not confident of speaking much as the owner was nearby. The workers live in accommodation provided to them by the company. Most of these accommodations are situated above the factory floors. Workers who live in such accommodations don't have to pay rent, electricity bill or water bill but have the added responsibility to look after the factory 24*7. These workers who live above factory premises have cyclical guard duties with no remuneration thereby classifying such jobs as extra economic coercions. A significant number of workers also live-in

rented accommodation in and around Kadipur Industrial Area. The rent ranges mostly between Rs. 2,500 – Rs. 3,000 while the electricity cost is Rs. 9 – Rs. 10 per unit. Such rented accommodation could be anywhere in Gurgaon and the workers are expected to travel to the area during work hours

One worker who lived above DS. Tech Tools (Gali no-8, Kadipur Industrial Area), which is a supplier company located at Kadipur Industrial Area supplying tools, materials, die, tape, drill, bit, welding rod, belt and trolley wheels packing material, was returning from the market bringing with him supplies to cook. He works in a company nearby which he couldn't recall. He works as a helper there but knows that his company produces parts for a company called Carmic/Karmic which produces auto-parts for Maruti and Hero-Honda. Repeated internet searches were not successful in tracing the company Carmic/Karmi



(Picture of DS Tech Tools, a workshop which produces automobile parts)

The situation of workers is far from good in the Kadipur Industrial Area, if anything the situation has worsened in the post pandemic period. Although most of the workers interviewed indicate that there have been no major changes in labour processes and wage regime but a reduced intensity of work in the factory floors due to low demand and a shortage of semi-conductors in OEMs doesn't hold a prosperous future for the workers working in this area.

The working conditions of workers working in Kadipur Industrial Area are marked by low wages, non-access to PF and ESI facilities, long work hours and insecurity of jobs. The living conditions of these workers are made wretched by the exploitative rental economies, in which workers are forced to stay within scanty houses nearby, mostly with sharing toilets. The urbanization pattern of Gurgaon leaves little spaces for toiling people for entertainments, in increasing privatization of parks are leaving no spaces for kids of these families to play. In short, the inequality in the world-class township of Gurgaon for these workers of the old city area, who are on the darker side of the global value chains.



(Workers in a small factory producing automobile parts in Kadipur)

Conclusion

The value chain of the automobile sector is one of the most complex one in the world. It is increasingly becoming more global and it is second only to the electronics in terms of the spread of suppliers, manufacturers and other third parties across the world. This creates new challenges and opportunities, both the entrepreneurs and the workers.

From the perspective of the industry, the constant changes in manufacturing processes, consumer demands etc. significantly impact the supply chains. This lead them to attempt to minimise costs, optimise manufacturing and smoothing out the distribution pattern. There is increasing conversation in the business media about developing systems to integrate all suppliers and part manufacturers into a common automobile supply chain platform, to increase visibility of the different parts of the chain from a central location and to identify disruptions and delays in a timely manner. There are also growing talks of developing stringent internal quality management checks and conducting audits on critical manufacturing processes, to ensure quality products from the various players in the value chain.

At the same time, the questions of asymmetrical power relations and the lack of decent work in the global value chain of the automobile industry have not received adequate attention in the business press. Conversations about ensuring decent work for all the workers throughout the value chain are quite rare in the business circles. At best, labour appears in business conversations only in terms of a problem i.e. as high variable capital costs, that impact profitability for the automobile manufacturers.

The results of such negligence are reflected in the findings of this study. The lower-tiers of the global value chain of the automobile industry in the Gurgaon-Manesar industrial region are marked by insecure employment relations, hazardous work conditions, low-wages, long working hours and near absence of social security for the workers. The firms are hardly ever inspected and industrial accidents are not infrequent, as a result. Proper muster rolls are not kept and workers are generally not informed about the companies for whom they produce the products. Mechanisms to ensure accountability from the big brands for whom the workers ultimately toil, are virtually absent. Systems to reward skills and work experiences are not in place and having permanent workers is seen more of a burden than an asset by the employers.

Actors in the lower nodes of the value chain, in turn, bear the brunt of business uncertainty, sudden changes in consumer tastes and demands, and disruptions due to natural disasters. This leads to high unsustainability and asymmetry in the value chain. This also calls forth innovative solutions and models, involving the various actors in the value chain, as well as the local and national authorities, representatives of labour and institutions like ILO.

- It is highly imperative that automobile companies are made to reveal their supply-chains in a transparent manner and are made accountable for maintaining just and decent working conditions throughout the supply chain.
- The ongoing efforts/proposals to constitute worldwide platforms of value chain suppliers must be complemented by constitution of similar platforms for labour, who work on different nodes of the supply chain. At the very least, systems must be in place to promote those suppliers who ensure decent work conditions in their workplaces.
- Quality management checks and audits of critical manufacturing processes must be complemented by auditing of labour conditions

in the workplaces of the firms. Appropriate rewarding systems can be developed for those who maintain minimum labour standards in their workplaces.

- The authorities need to ensure that all the workers are adequately covered under the labour legislations, especially those related to occupational health, social protection and payment of wages.
- Systems of certification, prioritisation, relief in taxation of those players who follow basic labour standards can be developed by the authorities, in consultation with representatives of labour and the industry. It must be ensured that all assistance and relief provided by the authorities must percolate to the lowest segment of the value chain.
- Avenues for collective bargaining practices are virtually absent in the lower nodes of the value chain. It violates the Freedom of Association, a fundamental human right, proclaimed in the Universal Declaration of Human Rights in 1948. It also violates the ILO Declaration on Fundamental Principles and Rights at Work, 1998. The automobile industry and the authorities should ensure that labour has a voice in all the nodes and workplaces of the automobile value chain.



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