

United Nations Development Programme, India

Lasting Solutions for Development Challenges



Global Economic Crisis Impact on the Poor in India *A Synthesis of Sector Studies*

Agriculture | Auto Parts | Chikan Craft
Engineering Products | Garments | Gems & Jewellery

November 2009

Global Economic Crisis
Impact on the Poor in India
A Synthesis of Sector Studies

Disclaimer: The views in the publication are those of the authors' and do not necessarily reflect those of the United Nations Development Programme.

Copyright©2009

by the United Nations Development Programme (UNDP) India
The articles can be reproduced in whole or part with relevant acknowledgement to UNDP and the authors in the following manner:

Name of Author, Year of Publication, Published by UNDP India.

Contents

Introduction	5
Overview of the Selected Sectors	10
Key Findings	19
Conclusions	40
Recommendations	43
Data from Sample Surveys	54
<i>Appendix 1</i>	<i>74</i>
<i>References</i>	<i>75</i>

1 Introduction*

There is now considerable evidence (NCEUS 2009, Mahajan 2009, Kumar 2009) to show that the global economic crisis has had a significant impact on developing economies. The initial idea that developing countries are 'decoupled' from the global crisis is no longer accepted as valid, as it is clear that multiple channels have transferred the crisis to these countries.

The nine percent decline in world trade during the year 2008-09, the biggest decline since World War II, has led to a huge fall in exports from developing countries. Similarly, the crash in the equity market, emanating from capital outflow from developing countries has resulted in a severe financial crunch, with credit for small producers in the informal sector having almost dried up. It has been estimated that the capital outflow from the developing countries, in Asia, was about US\$ 10 trillion by the end of 2008 (Chhibber *et al.* 2009). This is the equivalent to roughly one year's GDP, in this region. The pressure on the exchange rate coming from the capital outflow, declining reserves of foreign exchange, decline in exports, etc, reduced the value of national currencies, which in turn made imports of raw material and intermediate goods expensive¹. This has hit the industries dependent on these

* This synthesis document has been prepared by Prof. Indira Hirway; who is the coordinator of the UNDP sponsored studies on the Impact of the Global Economic Crisis on the Poor in India. The author is thankful to Nandini Oberoi for editing the document and to Tarun Pokiya for research support.

1 For example, raw diamonds have become expensive for the gems and jewellery industry, and with the decline in the prices of polished diamonds, this industry is facing serious problems regarding its survival.

imports very hard. Finally, the decline in foreign direct investment (FDI) and in tradable services like tourism and Information Technology (IT) services has led to a further decline in growth and employment rates in developing economies.

The International Labour Organization (ILO) has described the impact of the crisis as 'a global catastrophe' (ILO 2009). It has estimated that about 39 million jobs have been lost already at the global level and that this figure may go up to 59 million, in the worst case scenario. This number is in addition to 90 million new entrants in the labour market, who are unlikely to find jobs in the prevailing recessionary situation². Estimates made by the Food and Agriculture Organization (FAO) show that the number of hungry people has increased from 915 million people in 2008 to 1.02 billion people in 2009 (FAO 2009). Similarly, World Bank estimates say that there is an unforeseen increase in the number of poor, with about 60 million people being pushed into poverty by 2009 and 100 million likely to be pushed into poverty by 2010, in Asia alone (Chhibber *et al.* 2009).

The Indian economy has been quite adversely affected by the global crisis, through the channels mentioned above. Indian exports crashed in the second half of 2008-09, showing a decline in the quantum of exports of about 14 percent. The decline was more than 50 percent in some sectors like gems and jewellery, textile and garment manufacturing and leather goods. On the financial side, the capital outflows as well as decline in revenue resulted in a severe liquidity crisis. Decline in remittances from abroad, as well as in the FDI put severe constraints on the economy and on the Government. The depreciation

² This refers to the period when the recessionary trends were still pre-dominant and before the encouraging signs of revival appeared.

of the Indian rupee has adversely affected the growth of industries that depend on imports of raw materials and intermediate products, both of which have become more expensive.

The impact of the crisis in India, has been observed in the slowing down in the growth rate of the economy, between August 2008 and March 2009, by about four percent (Gangopadhyay 2009), and in the increase in unemployment (Labour Bureau Reports 2009).

This phenomenon is not merely a 'slow down', but it is definitely a crisis for the affected sectors and workers, as there has been a sudden fall in production, employment, wages and earnings.

The first survey of the Labour Bureau, Government of India, stated that the employment in the economy fell by 500,000 jobs during October-December 2008. The next survey, reported that one million jobs were lost, during January 2009. Though a slight improvement is observed in employment during January-March 2009, it is not clear whether this is sustainable (Labour Bureau 2009, Economic Survey 2009).

Macro data, however, does not tell the full story. Since exports account for only 22 percent of the Gross Domestic Product (GDP), in India (NCEUS 2009), the decline in exports appears to have created a small direct impact on the economy. However, this impact is a matter of serious concern because first, the affected workers and small producers are largely in informal employment (they are therefore unprotected in a crisis like this) and second, the indirect impact and continuing impact in the subsequent rounds is likely to be significant and widespread.

Informal workers constitute 92 percent of the total workforce in the country. There are about 58 million

non-agricultural informal enterprises in the country, accounting for 31 percent of the exports from the country (NCEUS 2009). Any decline in exports impacts both the producers and the workers in these labour intensive sectors. Given the informal nature of their work (i.e. temporary, scattered, sporadic and short term), they are not likely to be represented in the quick surveys of the Labour Bureau. Thus, the macro picture hides more than it reveals with regard to the impact of the global crisis on the economy.

Approach of the Study

In April 2009, UNDP India, supported a quick survey in some of the major affected sectors, in selected states of India, to get a better understanding of the impact of the global crisis on small producers and informal workers. The sectors for the quick surveys were identified on the basis of emerging reports that highlighted the impacts on specific sectors, viz., agriculture, auto parts, Chikan craft, engineering industry, home based garments and gems and jewellery.

All the sector studies have used a common approach, with some modifications to meet sector specific requirements. The common approach consists of the following basic core:

- An analysis of the available literature and secondary data to understand the impact of the global crisis on the selected sector. This included in-depth discussions with concerned Government officials, sector (industry) leaders, office bearers of associations and labour leaders.
- Selection of a centre or two, for an in-depth empirical study in the selected sectors; and to prepare a profile of the selected centre (s) to understand the impact of the crisis at the local level. This involved discussions with sector leaders, officials and labour

leaders in the selected centres, as well as focus group discussions (FGDs), with men and women workers, small entrepreneurs and self employed / own account workers and household members (including women members) of workers.

- Sample survey of a selected 100-150 workers and small producers. The sample was selected purposively, on the basis of the information of typologies of workers and location of workers. Though the sample size is small, the sample survey does provide a good understanding of the impact of the global crisis on workers.
- Two questionnaires, were prepared, one for the selected workers and their households and the other for small producers, in each of the sectors.
- Case studies were undertaken in order to understand the impact of the crisis, at the household level.

The quick study covered 1,085 workers and producers, across six sectors, in five major states, in India (Table 1). Even though some impact of the global crisis was evident as early as July 2008, when the exports started to decline, the larger decline in demand for export products (leading to the closure of units or a decline in production and employment) was observed after the festival of Diwali, in October 2008. Thus, in all the sector studies, October 2008 has been taken as the cut-off date; and the terms 'before the crisis' and 'after the crisis' refer to this date.

The specific objectives of the study are (i) to examine the impact of the crisis on the workers and small producers, working in the selected sectors, (ii) to draw inferences for interventions to address the adverse impacts on the workers and the sectors in the short and medium terms and (iii) to examine and recommend measures to mitigate the impact of similar crises.

Overview of the Selected Sectors*

Gems and Jewellery Industry: India is responsible for about 80 percent of diamond cutting and polishing in the world (Surat Diamond Association 2008). Raw diamonds are imported, polished and then exported all over the world. The average annual production of this diamonds is around 78,000 carats (2005-2007). Of this amount, on average, about 80 to 85 percent of diamonds are exported and the rest is consumed at home (Centre for Monitoring the Indian Economy [CMIE] 2008). The export of finished (cut and polished) diamonds has increased dramatically after the adoption of trade liberalization policies; from US\$ 7,511.42 million in 1999-2000 to US\$ 19,667.03 million in 2007-08, which works out to an annual compound growth rate of about 13 percent. In 2007-08, just before the crisis, exports of gems and jewellery constituted 12.36 percent of the total commodity exports from the country. Of this, about 25 percent of the output was exported directly to USA and another 25 percent indirectly to USA, in the form of jewellery (produced in Belgium, Japan, Australia and Thailand, using Indian diamonds). USA is, thus, a major buyer of diamonds from India, and the crisis in USA has impacted this industry quite severely.

* Studies were conducted by teams of researchers, located at different places and working with a number of organizations. These are: Centre for Development Alternatives (Prof Indira Hirway), Entrepreneurship Development Institute, India (Dr. Santosh Kumar and Dr Jignasu Yagnik), Gujarat Institute of Development Research (Prof. Amita Shah, Dipak Nandani and Has Mukh Joshi) and Self Employed Women's Association (SEWA Teams in UP, MP and Gujarat). See Appendix 1.

The global diamond industry is organized in a value-chain, which covers exploration and mining, sorting, cutting and polishing, jewellery manufacturing and retailing. Diamond cutting and polishing, which is labour intensive and distributed among the developing countries, contributes only around eight percent of the value added. India is a major country involved in this process, but is integrated at the lowest end of the value chain. The country is highly dependent on the global market, both for raw materials as well as for marketing. The crash in the US markets reduced the demand for diamonds by half, and the traders cut back demand production even further as a precautionary measure. As a result, this sector has been severely affected by the global crisis. The crisis has also impacted the sector through the financial sector and the fall in the exchange rate.

It is estimated that there are about 8,000 diamond cutting and polishing units in the country, that provide employment to between 800,000 to 1,000,000 workers. (RBI 2009, Government of Gujarat 2009 and SDA 2009). Though all diamond units are required to be registered under the Factories Act³, according to Government records, there are only 532 registered units, employing 127,000 workers. About 80 percent of the total diamond manufacturing units are in Gujarat and more than half of these are in Surat. Hence, the study was conducted in Surat and in Bhavnagar (to meet with workers who had returned to their original villages after losing employment in the diamond centres).

Engineering Industry: The Engineering Industry produces a variety of intermediate goods and capital goods and

3 Since even the smallest diamond unit uses power and employs more than 10 workers, all the diamond units should be registered under the Factories Act (Government of Gujarat 2009).

has significant backward linkages with a number of vital sectors in the economy. Heavy engineering goods cater to power; infrastructure including real estate development, steel, cement, petrochemicals, oil and gas, refineries, fertilizers, mining, railways, automobiles, textiles, etc. Light engineering goods are inputs to heavy engineering industry. This industry, which has shown a rapid growth in the post reform period, exports a variety of goods. In 2008-09, the sector accounted for 26 percent of manufacturing exports, of which 6.5 percent was from machine tools, machinery and equipment, 6.6 percent was from transport equipment and about nine percent from manufacture of metal primary and semi-finished iron and steel (CMIE, 2009). The engineering sector is highly fragmented at the lower end (e.g. unbranded transformers for the retail segment) and is dominated by smaller players, who use medium to low-end technology, and manufacture low-value added products. According to available estimates there were nearly 175,000 units employing about 840,000 workers in the machinery and equipment industry (NIC code 29). Of these about 95 percent of the units and 58 percent of the workers were in the unorganized (non-factory) sector.

This sector, which was already facing several constraints such as unstable input prices, power shortages, infrastructure gaps, etc, coupled with increased imports and appreciation of the rupee, faced another set back, due to the financial crisis and the consequent dip in its exports. The decline in foreign investment and the devaluation of the rupee against the strengthening US dollar created additional problems. The industry has suffered a 'double squeeze'- a decline in the demand in the global market and the subsequent decline in the domestic demand. (Gol 2009). The sector study covered two predominant centres of the engineering industry; Coimbatore in Tamil Nadu and Rajkot in Gujarat.

Auto parts Industry: The Indian auto component industry has done remarkably well in recent years, recording 18 percent growth during the period from 2001-02 to 2006-07. Its exports also grew at a compound annual growth rate (CAGR) of 23.56 percent during 2001-02 to 2006-07, and the share of the exports in total production increased from 12.93 percent in 2001-02 to 18.48 percent in 2006-07, accounting for exports worth Rs.2.22 billion (US\$ 0.06 billion) in 2006-07. In spite of the commendable growth of this industry, however, the working conditions, income levels and social security of the workers, particularly in tiny and small firms, have not improved as expected.

There are 400 large firms in the organized sector in this industry, and about 10,000 firms operating in the unorganized sector, manufacturing low-tech auto parts and components. The entire industry is organized in about 10 major clusters in the country, located in Haryana (Gurgaon), Punjab (Jalandhar, Phagwara and Ludhiana), Maharashtra (Aurangabad and Pune), Madhya Pradesh (Pithampur), Bihar (Jamshedpur), Tamil Nadu (Chennai) and Karnataka (Belgaum). These clusters account for over 93 percent of the output.

Since the first quarter of the last fiscal year, India's auto component makers are in the grip of one of the biggest crises ever. The entire supply chain of auto companies has been impacted by the economic meltdown. Units, from large companies to small-scale units, are facing a fall in demand of between 20 to 30 percent and a stiff liquidity crunch. The impact of the US crisis has aggravated the constraints that the industry was already facing (particularly the small enterprises); such as problems related to prices of raw materials, access to credit and markets, etc. The liquidity crunch, inventory pile up and re-scheduled export orders have taken the sheen off the auto component industry,

and for the first time in a decade, the sector has clocked single-digit growth and registered a fall in earnings, The Auto Component Manufacturers Association (ACMA), projected a six percent growth in turnover and 5.5 percent growth in export earnings during 2008-09 as against 20 percent and 24 percent respectively, in previous years (ACMA Newsletter, January 2009). Ludhiana, one of the biggest auto parts centres in the country, was selected for the in-depth study.

Textiles and garment Industry : The textiles and garment industry is one of the important industries in the global economy, as well as in the Indian economy. It has shown rapid growth in the global economy and has grown from US \$ 212 billion in 1990 to US \$ 396 in 2003 and further to US \$ 500 billion in 2008-09 (before the crisis). In India, the industry is responsible for 20 percent of the total export earnings and provides direct employment to about 38 million people. India is ranked in seventh place among countries that export textiles. The garment industry is a relatively new industry. With a modest beginning in the 1970s, it has grown into a gigantic industry, and is spread all over the country. This industry received a big push after the expiry of quota restrictions in 2005, and produces about 8,000 million pieces of output valued at US\$ 28 billion (2006-07). The garment industry is largely in the unorganized sector and 92 percent of the employment in the sector is informal employment. Sub-contracting and out-sourcing of production is a common practice as is home based production. About half the workers are engaged in home based production and this segment was the focus of the survey.

Women workers are dominant in the garment industry. However, highly skilled tasks within the sector such as cutting of fabrics and stitching of final garments, especially

in the men's clothing segment, is often done by men. Women workers in the sector are usually engaged to carry out the basic stitching of garments made for women and children.

The export demand for garments started falling in the later half of 2008 and continued to decline thereafter. Two important garment centres, Indore in Madhya Pradesh and Ahmedabad in Gujarat, were selected for a detailed study of the impact of the crisis on this sector.

Chikan Craft⁴: Handicrafts are a unique expression of the culture, tradition and heritage of India and the handicrafts industry is an important sector of the Indian economy, providing employment to a large section of the population.

Though exports of Chikan craft, like other handicraft export products, have been seeing a decline in their markets during the last 25 years or so, there has been a sudden and huge fall in the exports after the global financial crisis. According to the figures released by the Export Promotion Council of Handicrafts (EPCH), exports of embroidered and crocheted goods, which amounted to Rs. 51,450 million in 2007-08, declined to Rs. 29,360 million in 2008-09; a decline of more than 40 percent. Since a majority of the Chikan workers are informal workers, who work at home and are paid very low wages, and do not have access to any social protection, this crisis has meant the loss of livelihoods for a number of people. Lucknow is a major centre for Chikan craft and was therefore selected for this study.

4 Chikan work refers to the embroidery that is done with white untwisted yarn usually on fine fabric, (fine cotton, voile, silk, cambric, georgette or teri-cotton). Designs are printed on the cloth with washable colours and then different stitches and designs are used for the embroidery. This is largely a home based industrial activity, undertaken usually by women artisans and workers.

Agriculture: Indian agriculture as a whole is not a globalized sector. However, some pockets, which grow crops for export and export a significant proportion of their output, are integrated with global markets and are therefore vulnerable to global fluctuations in demand and price.

The sector study covers four export crops, namely, cotton, castor, cumin and sesame. The global prices of these crops rose substantially in 2007 and in the first half of 2008, raising the incomes of the farmers engaged in growing these crops. However, due to the global crisis, these prices dropped dramatically in the second half of 2008. For instance, the price of castor in March 2009 was Rs.1,990 per quintal (a quintal is equal to 100 kgs) as against Rs. 2,875 per quintal in September 2008. The price of cotton has also come down to Rs.2,600 per quintal, from a peak of Rs.3,375 in July 2008.

The total exports of cotton fell from 8.50 million bales in 2007-08 to 2.28 million bales between August 2008 and June 2009. The plummeting international cotton price has led the Government of India to hike the minimum support price by 40 percent, resulting in a steep rise in domestic prices, and a steep fall in the demand for domestic cotton. Similarly, the exports of castor seeds declined from 3,35,000 metric tonnes (a metric tonne is equal to 1,000 kgs) in 2008 to a mere 60,000 metric tonnes during the first seven months of 2009 and went down even further, later. As a result, farmers, who planted these cash crops in the hope of earning well, were adversely impacted when the time for harvesting the crops came.

This sector study has selected regions where these cash crops (castor, cotton, cumin and sesame) account for a substantial part of the production and a significant portion of the output is exported. Growers of these crops

in five districts, namely, Mehsana, Vadodra, Kheda-Anand, Surendrangar and Patan from Gujarat have been selected for an in-depth study.

Thus, the six sectors broadly represent the range of affected sectors in the economy. Gems and jewellery is a sector that is highly integrated with the global market. It depends almost totally on imports for raw materials and exports for markets; the home based garments and Chikan craft industries export a significant part of their output, but also have a huge domestic market; auto parts and engineering industries also export a significant proportion of their output and have a well-developed domestic market. Agriculture is the least globalized sector, with only some regions exporting selected agricultural produce.

The sectors vary in organization of production, with Chikan craft and garments being significantly home based, agriculture carried out on family farms with participation of family members; while auto parts, engineering and diamond cutting and polishing have small production units outside the homes. The home based garments and Chikan craft sectors employ a large number of women. Agriculture also has significant participation by women; while in the remaining three sectors, women constitute less than five percent of the workforce (Hirway 2009, Shah 2009, Kumar 2009).

Wages and incomes of the workers differ considerably across the sectors. The average monthly income before the crisis was the highest in the engineering industry (Rs.6,888) followed by the gems and jewellery industry (Rs.5,846) and in third place by the auto parts industry (Rs.3,850). The average monthly income in the other sectors was much less, Rs.3,233 in agriculture, Rs.1,877 in home based garments and Rs.978 in the Chikan craft sector. It is important to note that that most workers in home

based garments and Chikan craft industries were poor even before the crisis. However, their condition became much worse after the crisis.

The features that are common to all the sectors are (i) all these sectors have grown rapidly in the last few years, largely due to growing export markets. (ii) small producers or informal units are predominant in all these sectors and (iii) most workers engaged in these industries are informally employed.

3 Key Findings

The key findings are based on the data collected, interviews conducted and the available reports across the six sectors - gems and jewellery, the auto parts industry and the engineering industry, home based garments industry, chikan craft and agriculture. Discussions with industry leaders/ associations, policy makers and experts; FGDs; formal surveys and case studies are all part of the analysis.

Profile of workers

There are certain characteristics that are common to the workers, across the six sectors (Tables 2-4):

- The workers in all these sectors are young. The average age varies from 30 to 36 years, in the six sectors. Only about 12 percent of workers are above 50 years old.
- The level of literacy is quite low for these workers. The share of illiterate workers (without any formal education) is significant, varying from 60 percent in agriculture to less than 20 percent in engineering, gems and jewellery and home based garments sectors. About 40 percent of the workers have studied up to Standard X and only about six percent workers have studied beyond Standard X. The percentage of graduates is less than 2 percent and they are employed mainly in the auto parts industry and engineering industry. Many workers are school drop-outs and have received on the job training in the specific sectors.
- Almost all workers, with a few exceptions, are not permanent workers (they are regular workers⁵ or

5 Regular workers are not permanent workers because they do not get benefits of Provident Fund, medical benefits, leave salary but they do usually get paid on a monthly basis and may even get leave with pay and certain other benefits depending on the employer.

contract workers). They do not receive any social security benefits.

- The share of women workers is less than five percent, in the auto parts, engineering and the gems and jewellery industries, these three industries happen to be primarily male dominated industries. In the other three sectors, women are predominant, 99 percent in home based garment industry, 84 percent in Chikan craft, 83 percent in agriculture.
- The majority of workers in the gems and jewellery industry and auto parts industry live in *pucca* (permanent) houses, while the proportion of workers living in *pucca* houses is much less in the Chikan craft, agriculture and home based garment industries. About one fifth of the workers in these sectors live in *kutcha* (temporary) houses.
- The majority of workers (more than 60 percent) live in joint families, 30 percent live in nuclear families and the rest live in single person families⁶.

Impact of the Crisis on Employment, Wages and Incomes

The impact on the crisis on employment was observed in a number of ways: workers had lost jobs and were unemployed, workers got much less work than before in the same sector, some workers had shifted to other work, often less remunerative and with lower productivity, such as petty services (domestic service, helpers to drivers or masons, office peons, etc), petty trade (vegetable selling, street vending, etc), home based work (manufacturing

⁶ Single person families are usually those of migrant workers who often frequently migrate without their families and live alone, especially in the initial years.

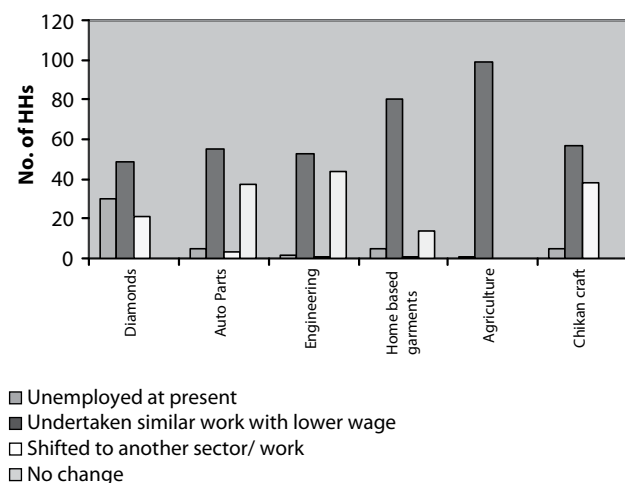
incense sticks, spices, food items like papads and pickles, etc). There are some workers, however, who did not experience any change. Table 5 shows that 44 percent of workers in the engineering and 37 percent of workers in the auto parts industry, did not experience any change in employment, after the crisis.

The gems and jewellery industry was among the worst affected sectors, as 30 percent of the workers were unemployed, 49 percent of workers had shifted to similar work with lower income and 21 percent had shifted to other less paying activities like petty services and petty trade. Those who remained in the industry also experienced a decline in employment and income.

In the auto parts and engineering industries, the impact was relatively smaller, the unemployment figure in these sectors was less than five percent. The rate of unemployment however was low (around 5 percent) in home based garments, Chikan craft and agriculture, where a large number of workers continued to remain in the sector but with much less work.

A number of workers who remained in the same sector, experienced a decline in employment and wages. This figure was more than 90 percent in agriculture, 80 percent in home based garments and more than 55 percent in Chikan craft. The figure was around 50 percent in engineering and auto parts industries.

The highest percentage of workers who left one sector for employment in another sector was in Chikan craft (38 percent) followed by gems and jewellery (21 percent), this percentage was lowest in the auto parts and engineering industries (only one percent each).



Impact of the Crisis on Employment of Workers

A large number of skilled workers in the selected sectors have been forced to shift to unskilled work. The percentage of such workers is 38 percent in the Chikan craft sector, 32 percent in gems and jewellery industry and eight percent each in the auto parts and in the engineering industries. On an average, about 11 percent of skilled workers have shifted to unskilled work, implying waste of their skills acquired over the years. The higher percentage of such workers in Chikan craft is due to the huge loss of demand for these products in the global market. Such a shift can result in deskilling of the workers in the long run.

There has been a significant deterioration in the employment status, even of these informal workers, from 'regular' to 'casual' or 'temporary' status, implying less regularity of work and increased employment insecurity. This deterioration from 'regular' to 'casual' status is significant in all the industries, though the percentage of casual workers varies from 25 percent in the engineering

REDUCED WORK AND REDUCED INCOME

Prakashbhai Hunbar, is 20 years old and has studied till Standard IX. He is a skilled worker and has been working on the lathe machine for the last three years. There are four persons in his family – his parents, his brother and himself. His father's ill-health pushed Prakash to take up work, his brother joined him later.

Prakashbhai lives in a one- room house. The impact of the crisis on him is apparent in his reduced work hours from 12 to eight hours per day, which means he does not earn any over time. Two other workers in the factory, where he works, have already been laid off and another three are called only when needed. The average income has reduced from Rs.160 – Rs.175 to Rs.90 – Rs.100, per day. The number of days he works is usually 25 days per month. There is an income loss of approximately Rs.1,500 per month, for each of the two brothers.

The consequences are that their father has had to go back to working as an auto rickshaw driver. Prakash has taken a loan of Rs.10,000 but is still unable to bear the medical expenses for his father. He has begun to buy food grain from the fair price shop.

In the future, the brothers want to buy an auto rickshaw, by taking a loan, which they hope to get by pledging their mother's jewellery. They hope it will enable them to put down the first installment of Rs.45,000 required for the auto rickshaw. This will make the two brothers less dependent on employment in the industry. They hope to find alternative employment opportunities in the city, and if that does not happen, they plan to return to their home village. Prakashbhai says he expects the Government to help the industry to get out of the recession.

Prakashbhai's story is an oft-repeated tale, in which the characters keep changing.

industry, to 61 percent in the gems and jewellery industry, to as much as 70 percent of workers in the auto parts industry.

The average monthly income of workers has declined significantly in all the sectors. About 97 percent of the workers in the sample pertaining to the gems and jewellery industry experienced a decline in their incomes. This figure was much lower in the engineering industry (55 percent). In terms of percentage decline in income, the monthly incomes of the workers in the respective samples declined by about 67 percent in the home based garment industry, by 46 percent in the gems and jewellery industry, by 41 percent in the auto parts industry, by 37 percent in the Chikan craft industry and by 11 percent in engineering industry.

The daily earnings/wages of workers in the samples have also declined in all the sectors. The decline is the highest in the gems and jewellery sector - as much as 44 percent; 41 percent in home based garments industry, 37 percent in Chikan craft and less than 20 percent each in the remaining three sectors. In Chikan craft, where the monthly income was only Rs.978, the income has declined by 37 percent, coming down to as little as Rs.621 per month. The average loss of income across all sectors was around 33 percent (Tables 6 & 7). While all the workers experienced a decline in their earnings, the workers in the engineering sector sample were least impacted.

Similarly, the household incomes of the workers also show a significant decline, although the decline is not as much as in individual incomes. This may be because other members who work in other sectors did not experience as much decline, or because non-working members (i.e. women, children, relatively older people) also joined the labour market.

Thus, workers have been adversely impacted in terms of employment, employment status, wages and incomes, as well as in terms of productivity and skills.

Help Received from Different Agencies

In crisis situations like this, workers require support of two kinds: support to meet the consumption needs of households and assistance in accessing alternate employment or re-training to find new employment. Agencies like the Government (both Central and State Government), employers, industry associations and chambers of commerce, trade unions or civil society organizations may be expected to come to the aid of workers, in such situations.

Help from the Government was forthcoming in the case of gems and jewellery industry, where 16 percent of the workers have received some assistance (though not adequate) to meet their consumption needs, in the form of distribution of food grains and other essential food items or cash. About six percent of workers received Government assistance in the auto parts industry. Apart from this rather inadequate assistance in these two sectors, no other help was provided to tide over the crisis. Employers and industry associates extended some marginal help in these two industries. Assistance came largely from relatives and friends; from private channels that the workers managed to access (Table 8). Assistance in trying to find new jobs or work has been almost absent, partly because there were hardly any jobs available in any sector. Some assistance of this nature was extended to workers in the auto parts industry but even this was rather limited.

Decline in Remittances Sent Home

A large number of workers in many of the export-based industries in urban centres send remittances to their families in the villages. In fact, these remittances provide considerable support to those at home as well as to the local economy of the village.

HARD WORK AND LITTLE REWARD FOR KAMMU

Kammu Idrishi is a traditional Chikan craft worker. Her late husband was a craftsman, who also worked in this craft. Kammu does very fine work and works largely on orders. She buys her own material, does the cutting with the help of her daughter and even does the tailoring at times. Earlier, she also used to do the printing, a job generally carried out by men. Despite being a seasoned Chikan craft worker, Kammu has only a kutcha house with a leaky roof, and also has to tend to a handicapped son; for whom she finds it hard to get any medical attention. Kammu believes that the wages earned in Chikan craft work are not commensurate with the effort and labour involved in doing this work. Even fine karigari (craftsmanship) fetches a maximum of Rs.50 per day, while ordinary work fetches only Rs.8 to Rs.20 per day.

According to Kammu, the present recession has caused further deterioration in her economic condition. She earns much less than before. She complains that even in the present crisis, the Government is not doing anything to support Chikan craft workers. She is getting old and it is now physically impossible for her to work for more than five to six hours a day, especially in executing fine and intricate embroidery. Her health has been adversely affected, her eyesight is poor, and she suffers from constant headaches, backaches and neck-aches. Her fingers are sore from doing Chikan work. The future offers little hope.

Table 9 shows that sending remittances home was common in three sectors - gems and jewellery, auto parts and engineering industries- the percentage of workers sending money home varied from 26 percent in the auto parts industry, to a little under 40 percent in the gems and jewellery and engineering industries. After the crisis, however, the number of people who sent remittances

LOSS OF JOB MAKES SURVIVAL DIFFICULT

Kalpeshbhai Narsibhai Vaghani (age 23 years) studied up to Standard IX and left his native village Pipaldi, Bhavnagar in 1999 for Surat, to join a diamond unit. Before the crisis, his monthly income was Rs.3,500. Both his brothers are also working in the diamond industry. The monthly income of the household was around Rs.12,000.

After the crisis, during Diwali, his elder brother lost his job and was afflicted by paralysis. Kalpesh took a loan of Rs.50,000, from his relatives, for the treatment of his brother's illness. Before the crisis they used to send Rs.5,000 to their grandparents in the village, but now they are unable to send any money. Since they stay in a rented house, they have to pay a monthly rent of Rs.2,000. Kalpesh now earns only Rs.2,500. His household income has declined substantially.

Kalpesh and his brother are really worried about their elder brother's health and the expenditures that they have to bear during this crisis. They are planning to take up part time jobs, in addition to diamond polishing. There has been no change in their food habits so far, but they have reduced the expenditure on transport by using bicycles. Their main worry is that they are not able to send any money to their grandparents and mother, who are dependent on them.

home declined by more than half in the case of the gems and jewellery industry and by a little less than half in the engineering industries. Remittances also declined for those engaged in the home based garments industry.

Dis-savings, Pawning Jewellery and Sale of Assets

Keeping in mind the huge decline in incomes and the inadequate assistance received, the affected households had three alternatives: (i) dis-saving, pawning and sale

of assets, (ii) borrowing from different sources and (iii) reduction in consumption.

The affected workers in all the six sectors used their past savings as well as pawned and sold some of their assets to meet their immediate needs (Table 10). Dis-savings was an important coping strategy. The figures for the percentage of workers in the sample who used dis-savings, were about 50 percent in the gems and jewellery sector, 55 percent in the auto parts industry and 30 percent in the engineering industry. The figures were 22 percent in the agriculture sector, 15 percent in Chikan craft and 13 percent for home based garments. Similarly, pawning and sale of assets was a strategy used by workers in all the six sectors. Between 10 to 30 percent of households resorted to pawning and sale of assets. More than 60 percent of households used these three ways to survive the crisis, the percentage was as much as 97 percent for workers in the auto parts industry and 74 percent in the case of the workers in gems and jewellery industry. It was lowest among the workers in the home based garments industry (32 percent).

Borrowing from Different Sources

Once dis-savings and sale of assets were exhausted, the affected workers resorted to borrowing as a coping strategy (Table 11). The percentage of households that needed to borrow to meet household needs increased from 32 percent to 50 percent in the gems and jewellery industry, from 23 percent to 86 percent in the auto parts industry, and from as little as 1.5 percent to 47 percent in the engineering industry, from 3 percent to 36 percent for home based garments, and from 35 percent to 39 in agriculture and declined from 13 percent to 7 percent for the Chikan craft sector.

The sector studies show that the main reasons for borrowing have been to meet day-to-day consumption

needs and to meet health related expenditures. A small number of households also borrowed for social functions and to meet education expenses. Since institutional finance is not available for consumption needs, the main sources of borrowing have been friends and relatives, followed by money-lenders. In a few cases, employers and banks have also extended credit to the workers.

The burden of debt has been too high on these households when the incomes have fallen and uncertainty has increased. The average amount of debt per household in the six sectors varied from Rs. 41,110 in gems and jewellery to about Rs.10,000 in Chikan craft and the home based garments industries.

Reduction in Consumption Expenditure

The main strategy of survival of most households, however, was to reduce consumption, mainly on food and other consumption goods, and on education and health. Almost all households – those that experienced a decline in income as well as those that did not– have reduced their consumption expenditure, due to the overall uncertainty regarding employment in the immediate future.

Food Consumption: The most common ways of cutting down food consumption have been (i) stopping or reducing eating out, (ii) stopping or reducing consumption of quality food (often expensive food) like milk, fruits, vegetables, eggs, meat, chicken, etc (iii) skipping a meal every day.

About 88 percent of workers' households in the gems and jewellery industry said that they had reduced their food consumption, about half the sample had reduced eating out and 39 percent reduced the consumption of quality food at home (i.e. the cash-poor households were eating cheaper food at home and had excluded milk, fruits, vegetables as well as eggs, meat, etc from their diet)

JOBLESS AND STILL LOOKING FOR EMPLOYMENT

Radheshyam (age 38 years), from Bhagalpur, Bihar, shifted to Punjab in 2004, leaving behind his parents, wife and children, to earn his livelihood here. He worked on making motor cycle parts. He knew that the company where he worked was facing some problems and some of his friends had already lost their jobs. They suggested that he look for alternative work, but he felt that as he was a senior worker, he would not lose his job. However, one evening, he was asked not to report for work, the next morning. He was shocked. He has not received his dues and he is still looking for alternative employment and is supporting his family by undertaking sundry jobs, mostly as a daily-wage earner. He is not very hopeful of getting his dues from the factory owners.

Radheshyam knows he will not be able to get a job now and wants to start a small business - selling vegetables and daily provisions - but he does have the capital required to start such a venture.

(Table 12). This reduction in food consumption including consumption of quality food items is bound to have an adverse impact on the nutritional and health status of workers. Since data on the extent of the reduction in the consumption of quality food is unavailable, it is difficult to estimate the impact. The percentages of households reducing food consumption by reducing eating out and by reducing consumption of quality food are 18.40 percent and 27.20 percent respectively, for households in the auto parts industry, 14.5 percent and 27.5 percent for the workers in the engineering industry, 19.50 percent and 48.50 percent for the home based garment industry, 11 percent and 47 percent for agriculture and 22 percent and 45 percent for households of workers in Chikan craft. The percentage of households that reported skipping a meal every day (usually morning breakfast) ranged from 17 percent in the auto parts industry to three percent each in the engineering and home based garment industries.

Expenditure on Education and Health: Reduction in the expenditure on education and health was another coping strategy used by the workers.

Expenditure on Education: Roughly half the households have reduced their expenditure on education by (i) withdrawing children from school (ii) shifting children to cheaper (government/municipal schools) (iii) not paying fees (iv) reducing expenditure on books, uniforms, educational materials etc (Table 13). There is no clear pattern that emerges in the use of these different coping mechanisms. The percentages of households in the sample, that have reduced their expenditure on education were as high as 86 percent in the gems and jewellery industry, 56 percent in the auto parts industry and 20 percent in the engineering industry (Table 17).

A high percentage of the households have been forced to reduce their expenditure on education impacting adversely on the future of their next generation. The percentage of households shifting children to cheaper schools varies from 18 percent in auto parts to six percent in the home based garments industry. Another coping mechanism that has been used is to withdraw children from school. In the gems and jewellery industry, about 20 percent of households had withdrawn their girls from school and the figure was about three percent in the home based garments industry. Not paying fees is the third mechanism used to reduce expenditure on education. Many households did not pay the fees in the hope that they would get some support from the Government or other agencies, sooner or later. It appears that households used these methods depending on their specific situation and constraints.

Expenditure on Health: Households in India do not hesitate to spend on health, when there are serious health problems. Studies show that people prefer private health

services to public health services, though the former are more expensive, because the latter is usually not accessible and dependable.

Households have reduced their health expenditure by (i) going to doctor/hospitals only in the case of emergency and (ii) using home remedies and medicines as far as possible – though some households reported that they would like to shift to cheaper public services in the current situation. However, poor health of children and sickness in earning male members are treated as being important enough to warrant paid medical services.

Table 14 shows that households in all the sectors have reduced their expenditure on health, as many as 71 percent of the workers in the auto parts industry sample and 69 percent in Chikan craft reported that they had reduced their expenses on health care, the figures for the gems and jewellery industry and the engineering industry were 67 percent and 44 percent respectively.

Impact of the Crisis on Women

Women's contribution in helping the families in crisis has been significant. They have contributed as producers (as own account workers or self employed workers), as wage earners (including in piece rated and home based work) and as home makers.

Women's Work in the Labour Market: As the sector studies have shown, the work women have taken up is home based work like making incense sticks, grinding spices, embroidery work or have taken jobs in services like domestic service; construction work, mainly as helpers to masons and other manual labour, etc. The highest percentage of households reporting non-working women joining the labour market was in the gems and jewellery sector, which is one of the worst affected sectors in the

economy. More than half of the households in the gems and jewellery sector have reported women taking up full time work while 17 percent households have reported women joining part-time work. The percentages are 22 percent (for part-time work) and four percent (for full time work) in the auto parts industry, 15 percent and 32 percent in agriculture, 36 percent and 11 percent in Chikan craft (where young girls below 14 years of age have taken up Chikan work) and nine percent and two percent in the home based garment industry (Table 15).

Self employed women face several constraints that prevent them from expanding their work into successful enterprises. These constraints have only become more magnified since the crisis. The major problems that they face are (i) poor access to credit, which has almost dried up after the crisis (ii) low level of infrastructure support (iii) poor access to markets, especially after the crisis and (iv) inadequate support in technical up-gradation, skill training, etc.

Unpaid Work by Women: There is evidence that women's unpaid work has increased after the crisis. This unpaid work includes domestic work such as cleaning, washing, sweeping, etc (as domestic hired help is dispensed with), care work (caring of sick, of children) and collection of vegetables, leaves, fruits, etc from common lands and common properties. Roughly a third of the households in the sample, reported an increase in the unpaid work of women. It appears that the unpaid work has increased because (i) cash poor households have brought many market oriented activities within the purview of domestic work, (ii) paid medical services have turned into unpaid services, (iii) unemployed /under employed men at home need more work / caring from women and (iv) women have increased the collection of free goods - fodder, vegetables, leaves, fruits, etc particularly in the rural areas, as evident from the experience of 'return' migrants (Table 16).

The lowest increase in the percentage of women entering the labour market as well as in the percentage of increase in domestic work of women is observed in the engineering industry. This calls for an in-depth investigation. It is possible that the relatively high wages of workers in this industry do not encourage households to send women into the labour market or socio-cultural factors may be responsible for this trend.

Increased Tension, Conflict and Domestic Violence

The sudden drop in income and employment, the absence of any assistance and the uncertainty about the future caused a lot of tension in these households, leading to conflicts and violence. Sector studies for the gems and jewellery and the engineering industries reported some cases of suicides, in a few depressed and frustrated workers.

About 40 percent of households have reported increased mental and physical illness caused by the crisis, about 45 percent of households reported increased domestic conflict and violence and 32 percent of households across sectors, reported an increase in smoking and drinking, caused by increased tension and frustration. This impact is highly significant in all the sectors, but is significantly high in the gems and jewellery industry, among engineering workers and in agriculture and Chikan craft workers.

Return Migration to Villages

Since many urban workers in export-oriented industries have migrated from villages, and some from small towns, a major coping strategy of the affected workers has been to go back to their villages and to their families. It is difficult to say whether they want to settle down in villages or would like to go back to the cities when the situation improves.

In the case of the 'return migration' of diamond workers, it is observed that about half of them want to go back to Surat city, when the situation improves, while the others want to settle down outside the diamond industry, as they consider employment in the export-dependent diamond industry to be uncertain employment.

The main reasons for going back to the village as stated by the members of the sample households were: (i) cost of living in the village was cheaper, in terms of house rent, cost of energy/fuel, food, etc, (ii) they can live with their families - parents, relatives, etc, which works out to be very economical and (iii) often there is some land, which they can fall back on. Return migration has been taking place in all the industries covered in this study.

The workers have been forced to adopt several coping strategies, which will have a long term impact on their lives. These are: (i) they have incurred huge debts to meet their minimum consumption needs, (ii) several non-workers-women, children and the elderly - have been forced to enter the labour market and in the absence of remunerative jobs they have been forced to take up low skilled, low productivity work with very low wages, and (iii) these households have reduced their consumption on food, health and education.

Women have been the worst sufferers of the crisis, as they are pressurized to contribute to household incomes. They have take up whatever activities are available, to support their households. As the study of the gems and jewellery industry shows, many women earn as little as Rs. 25 per day, making incense sticks, working as helpers to masons, etc.

Impact on Small Producers and Micro Enterprises

The non-viability of small and micro enterprises is a major issue and the crisis has highlighted the extreme vulnerability

of these units. The sector studies draw attention to the fact that small producers and micro enterprises are the most vulnerable group of producers and they have been most adversely impacted by the crisis. The major reasons for this are: (i) their survival often depends on job work, and the moment orders stop, they have no option but to close down, (ii) they have limited access to credit (iii) they usually deal with low quality products, the demand for which has declined much more than the demand for high quality – high value added products, and (iv) since they do not import raw materials directly or export finished products directly, the burden of the crisis is frequently passed on to them by big traders and exporters.

DECLINE IN INCOME MEANS A CUT IN EDUCATION EXPENSES

Mukhadbhai, who lives in Piprali village in Bhavnagar, has been working as a diamond polisher in Surat for the last nine years. He was a daily wager and worked almost 10 hours each day. His monthly income was Rs.5,000. He is the only earning member in his family, and has to support his wife and child.

In October 2008, he lost his job due to the global crisis. As he could not find any suitable work in Surat, because of his lack of skills in other fields like embroidery, he found it difficult to live there. Ultimately, he decided to return to his home-town. He now works for about 15 to 16 days a month, as a wood-cutter and earns Rs.60 per day. He manages to earn only Rs.1,000 a month from this work and is unable to pay the tuition fee and meet other education related expenses for his son. He just does not know how to manage with this small income.

Having no alternative, he has taken a loan of Rs.50,000 from a bank, at five percent interest. Like other diamond workers, Mukhadbhai has not received any help from the Government or any other organization. His only hope is the revival of the diamond industry.

Discussions with industry associations, industry leaders and small producers indicate that the major problems of small enterprises are:

Access to Credit: Though small and micro enterprises account for more than 30 percent of national exports and provide large scale employment, their share in institutional credit is only two percent (for the units with investment of less than Rs 500,000) and 4.3 percent (including the units with investment of less than Rs 2.5 million) (NCEUS 2009). In spite of the efforts made by the Government, access to credit for these units has remained extremely poor. The liquidity crunch under the present crisis has made the situation much worse, as financial institutions are most unwilling to lend to the affected sectors, in general, and to small enterprises, in particular. In the case of gems and jewellery sector, for example, even after the recommendations made by the Reserve Bank of India (RBI) Taskforce to lend to this sector and particularly to small units, the access of the units to credit has remained poor. In the auto parts and engineering industries too, the demand for credit by small producers is largely unmet.

The producers interviewed during the survey feel that instructions from the Government or from the RBI is not likely to change the situation, as banks are not willing to lend to them, particularly in the crisis. There is an urgent need to improve this situation by creating a special fund for these units, at the all India level, to take care of their credit needs.

High and fluctuating prices of raw materials: Another major problem of these enterprises is that the prices of the raw materials and intermediate good are highly unstable. The depreciation of the rupee during the crisis has raised the prices of imported raw materials and intermediate goods, making it more difficult for these units to manage.

CREDIT NEEDED FOR BUSINESS EXPANSION

Rajesh Singh (age 32), was born and brought up in Motihari, Bihar and migrated to Surat in 2001. He lives in Surat with his wife (30 years) and three children, who are studying in an English medium school. Earlier, Rajesh used to work as a sweet maker in Mumbai and was settled there. His brother worked in a diamond unit in Surat, and Rajesh also decided to move out from Mumbai and join him in Surat. He was trained by his brother but the stipend he received was not sufficient for him to support his family. He shared a house with his brother.

Before the crisis, Rajesh used to earn between Rs.8,000 to Rs.9,000 per month. Now he earns Rs.5,000 to Rs.6,000 per month. He has taken a loan of Rs.25,000 from his friend for the education of his children. Before the crisis, he used to send Rs.2,000 to his parents but now he cannot do so. This really pains him. He has had to cut down his own expenses drastically: for example, he comes to the unit by bicycle instead of in an auto rickshaw. He says he will never allow his wife to work outside their home.

Rajesh has taken up a part time job, where he sells spare parts for mobile phones. Due to the lack of finances, he cannot expand his business. He says that if his present business does well, he can discontinue with working in the diamond unit, even if the situation improves. He needs a loan to expand his present business, which he is unable to get.

Low technology and low productivity: In spite of the decline in the global demand for exports, there is still some demand for high value added, high quality products in the global market. However, this demand cannot be met by small enterprises, due to their low technology and low scale of operation. It is clear that if these units have to survive, they will have to be helped in taking a quantum jump in technology and productivity.

Poor access to infrastructure and the absence of a level playing field: Small and micro enterprises do not get the kind of infrastructure support that is given to medium and large enterprises. In all the industries, it was observed that small units found it difficult to pay for power, rent of buildings/ factory space and raw materials in the crisis situation. All the sector studies have observed that there is a need to strengthen this kind of support to small enterprises to make them viable.

Absence of adequate database: Most of the small enterprises are unregistered units, with the result that there is no accurate information on their number, and there is no reliable record of these informal workers. This inadequate information became a major constraint during the crisis, because it was difficult to reach small units, on the one hand, and identify workers, on the other. This made it difficult to design schemes and to allot adequate funds to these industries. The database of these sectors – and the informal sector in general – needs strengthening.

The recommendation of the NCEUS in this context need to be enforced on an urgent basis. The registration of units under the Factories Act or under any other appropriate act needs to be expedited. The case of gems and jewellery industry serves as a good illustration. Though all units in this industry fall under the purview of the Factories Act, less than 10 percent of the units are registered, because the units do not see any advantage in getting registered and actually consider registration to be a major disadvantage (since they have to pay social security to workers). Similar constraints prevail in other sectors and require attention.

4 | Conclusions

This study of six sectors has drawn attention to the plight of workers and producers under the volatile global market. The study has shown that the highly competitive as well as uncertain global market can cause a great deal of instability to poorly protected workers, as well as to small producers in the informal economy.

The impact of the global crisis on the workers has been on all dimensions of their employment: the direct loss of employment has been up to 60 percent; the wage rate in the industry has declined almost by half and the monthly income of the workers has declined by almost 47 percent. Even within the informal employment category, which denies social security to workers, there has been a decline in the employment status for a large number of workers from 'regular' employment to 'casual and temporary employment', implying increased insecurity in work; and there is deskilling of work, as a number of skilled workers have been forced to shift to manual or unskilled work.

In the absence of any significant institutional support coming from the Government, industry associations, employers or NGOs, the majority of the workers are left to fend for themselves. The crisis has deprived the workers of their savings and increased the debt that they have had to incur to meet urgent consumption needs.

Reduction in food consumption, a strategy adopted by more than 80 percent of workers, has clearly reduced nutritional levels of the workers. Reduction in educational expenditure, including withdrawal of children from school, is indeed a matter of grave concern. Depletion of human capabilities in the households of those with little education

and the high level of school drop-outs among the informal workers is a productivity loss for the economy.

Those employed in the home based garment industry and in the Chikan craft industry were the worst affected, as their low incomes declined even further, during the crisis. In the absence of any possibility of dis-savings or even incurring debt, these workers have had to cut down their expenditure on food, implying their immiserization into poverty. Their low health and low educational achievements have gone down further during the crisis.

The conditions of those workers who have returned to their original place of residence is another aspect that needs looking into. In the absence of adequate employment opportunities, most of them have taken up manual work on farms or in non-farm activities. To cope with the drastic reduction in wages and incomes, the households of the workers have pressurized non-workers (women, children and the old) into the labour market, to take up work in low productivity employment and at very low wages. These households have also experienced severe depletion in food and nutrition, as well as in education and health. The return of migrant workers has also depressed the local economy due to the drop in the remittances on the one hand and the downward pressure on the wages on the other.

Small producers, who have always lacked adequate support in technology and skills, credit, infrastructure, etc are facing a severe liquidity crunch as well as a decline in business. Their problems, which have not received enough attention of policy makers for so long, have now come into the open.

Thus, the impact of the global crisis appears to be quite wide-spread. Its direct impact is felt by the diamond industry, which is highly integrated with the global market

as well as in the relatively less integrated industries like the auto parts industry and engineering industry. The coping strategies, such as (a) reduction in household expenditure, (b) incurring debts, (c) withdrawal of children from school, (d) women and children entering into the labour market and (d) migration back to the native place, have made the situation of the present generation as well as future generation of the affected workers worse than before.

The crisis highlights a number of weak points in our policies and in our growth path.

5 Recommendations

The adverse impact of the crisis can be attributed to two sets of factors, globalization and the weaknesses of domestic policies, which have paid inadequate attention to the critical needs of our workers and producers. The recommendations address both these aspects.

1. Universal Social Protection to Workers

The experience of the crisis has shown that the workers, who contribute to exports and to the rapid growth of the economy, have been thrown into the volatile global market without any safety nets or social protection.

There is an urgent need to design and institutionalize a package of universal social security, consisting of some minimum critical social protection to all the workers in the economy. Such a package should include (i) unemployment insurance and assistance, (ii) health insurance, (iii) old age pension, (iv) maternity benefits, and (v) compensation against injury, disability or death. The Social Security Bill of the NCEUS designed in May 2006 is very relevant here. To provide social security in the informal sector, a National Fund for the Unorganized Sector (NAFUS) has been proposed..

There is an urgent need to include all these critical social security measures and take suitable legal, financial, institutional and administrative steps to institutionalize this minimum package of social protection for all workers in the economy.

2. Ensuring Employment Services to Workers

The study has shown that when skilled workers lose their jobs they do not get any support to find new suitable work

and are frequently forced to take up unskilled petty work (where their skills are wasted) or remain unemployed. There is a need to institutionalize assistance and support to workers, to facilitate their movement from one (skilled) job to another (skilled) job.

This requires well organized employment services which includes (i) labour market information service, (ii) counselling of workers on what kind of work is suitable for them and how to get it, (iii) providing training and re-training to workers and linking them with suitable training institutes and (iv) help in moving to new jobs. There is thus a need to scale-up the employment exchanges to set up employment services.

3. Ensuring Food, Health and Education for All

The adverse impact of the crisis on the workers/small producers can be somewhat mitigated if critical gaps in social goods such as health, education, skills provisioning are met. The study has shown that the large number of programmes and schemes that promote education and health of people/workers are not able to help in crisis situations. For example, there are no institutionalized facilities to ensure that children are not withdrawn from school and are not pressed into the labour market, till they have completed Standard VII or Standard X. Similarly there are no provisions to ensure basic health for all. The provision of both education and health facilities is a basic requirement and must be the primary obligation of the Government.

The respondents in the various samples said that though SSA (Sarva Shiksha Abhiyan), NRHM (National Rural Health Mission), ICDS (Integrated Child Development Services) PDS (Public Distribution Scheme), etc exist, they are limited in scope and in coverage. There are several gaps in the public health and education schemes in operation, with

the result that are unable to help people during a crisis. There is a need to fill in the gaps by building infrastructure, allocating adequate funds, ensuring adequate staffing and putting in place the required systems.

A rights-based approach for basic health and elementary education is required. The recent Right to Elementary Education Act is an important step in this direction. The Right to Food Act should also be enacted soon. A special fund needs to be created, preferably through Welfare Boards⁷ to provide soft loans with subsidies to workers to take care of their educational and health related needs. Access to health services, at affordable prices or free (for the very poor) should be made universal. For the sectors where there is no Welfare Board, a relief package of the basic facilities must be designed for workers in the event of a crisis.

4. Addressing Problems of Small Producers / Micro Enterprises

The study has shown that small producers, the self employed or own account workers are the worst hit group among the producers. This is largely because they have poor access to advance technology, credit, markets, raw-materials and to infrastructural facilities, and have low staying power. Under the crisis, they suffer from declining markets as well as high and fluctuating input prices. They have been almost pushed out from the credit market as a result of the liquidity crisis and the crisis in their own sectors.

7 Such 'welfare boards' have been set up by the Central and State Governments for sectors like bidi making, plantations, construction work, where informal employment is high, to take care of the well being of the workers. These boards have tri-partite representation (from workers, employers and the Government) and they design schemes and policies related to wages, working conditions, social security, etc for workers and supervise the implementation of the same.

Non-viability of small and micro enterprises is, as it is, a major problem in the economy, and the crisis shows that their position becomes worse in crisis. Once again, there is an urgent need to create a special fund for them at the all India level.

Instead of addressing the sectoral problems through bail-out packages, special packages should be designed to strengthen small producers. This is an opportunity to undertake this task on a priority basis.

The following recommendations have been made in this context:

- In order to ensure their access to credit, it is recommended that small producers should (i) be included in priority sector lending, (ii) have reduced rates of interest on their credit, (iii) be faced with a more lenient process of debt recovery, (iv) be provided with export credit, (v) access to micro credit to help them to run their business, and (vi) soft loans to tide over a crisis as well as to remain in business. The importance of the creation of a special fund the sector, the National Fund for the Unorganized Sector (NAFUS) as recommended by the NCEUS, is reiterated in this context, to ensure the following:
- Price regulation for raw materials and finished goods, as well as the provision of a subsidy in electricity charges.
- Infrastructural support, particularly regular supply of electricity, and facilities for storage and warehousing.
- Technological support to upgrade technology, so as to be competitive in the market.

5. Skill Training and Skill up-gradation

Skill training / retaining of workers is important during a crisis for several reasons: first, the poor, who have been badly hit by the crisis in low-skilled activities, cannot be helped adequately without their skill up-gradation. Second, skill training / retraining is important even for skilled workers, to enable them to move upward in the value chain or to acquire new skills when the demand for old skills decline. There is, therefore, a need to design skill-training programmes.

Education up to Standard X is required for skill acquisition, as it enables students to acquire new skills and new learning much faster. The best way to impart skills is through technical institutions, after students have acquired a sound basic general education. This prepares workers to shift from one skill to another, easily. Universalization of education up to Standard X is therefore very important.

6. Giving visibility to workers and to small producers

A problem highlighted by the crisis is that there is no reliable data on informal workers and producers (particularly small producers) in the economy. In fact, in the absence of such data, policy makers face a serious problem, as they cannot identify the affected producers and workers and cannot allocate adequate funds to assist them.

There is an urgent need to have complete records of these workers, by giving them identity cards (and by insisting on registration for units) so as to enable the workers to access benefits of relief packages as well as social protection.

7. Bail out packages for women

The study has shown that women are among the worst

sufferers of the crisis. They suffer (i) as producers / own account workers / employers, (ii) as wage earners at home or outside the home, (iii) as home makers. In the process they have taken upon themselves a disproportionate burden of the crisis. There is a clear male bread-winner bias on the part of the employers (women are the first ones to lose jobs) as well as the Government (which does not address women's employment specifically). Though women provide 'safety nets' or become 'shock absorbers' by taking on the burden of paid and unpaid work, there are no policies that address their concerns.

Women's burden of unpaid domestic work has increased because i) cash poor households have brought many market oriented activities within the purview of domestic work, (ii) paid medical services have turned into unpaid domestic work of care for the sick (iii) un/under employed men at home need more work / caring from women. In addition, many women have either entered into the labour market for petty work or have increased their 'economic' work to supplement falling incomes.

As producers / employers women should get an access to credit, technology, infrastructure facilities and markets. A special 'stimulus package' should be designed for them, keeping in mind the specific needs of women producers / own account workers. The male bread-winner bias must change, because women also are bread winners, and often the only bread winner in many families. There is a need to ensure that women are adequately covered in any policy packages that may be designed for small producers.

In this context, the following recommendations are made:

- There should be separate employment targets, including skill training targets for women, so that their employment is not sacrificed due to the male bread-winner bias.

- The Government should focus on provision of social infrastructure to reduce women's (increased) burden of unpaid work. Social services should be expanded to take care of health, education and well-being of children and adults.
- Women's increased work also calls for universal child-care facilities to release women from the burden of work, and more importantly to ensure healthy early childhood development of children.

The crisis should be seen as an opportunity to encourage gender equity in the economy.

8. NREGS and Urban Employment Guarantee Programme (EGP)

A major coping strategy of many of the urban workers affected by the crisis has been to go back to their native villages, where their families live and where the cost of living is lower. This has been observed in all the sectors.

The National Rural Employment Guarantee Scheme (NREGS) can play an important role in the present crisis. Effective implementation of NREGS can help to provide employment at minimum wages to the workers, who have come back to their respective villages, without depressing the wage rate in the village. Workers can help to build productive assets in the village that could expand employment opportunities in other sectors such as agriculture, animal husbandry, horticulture, etc. the provision of jobs under NREGS will also keep up the self esteem of the workers, who could otherwise fall into depression.

The impact of NREGS was not evident in some of the survey villages. Consequently, the returned migrants have

not benefited through this very important programme. It is therefore strongly recommended that:

- Focused efforts are made to design NREGS for those regions where workers have migrated back. Efforts should be made to use the skills of the returned workers.
- Efforts should also be made to promote overall development and employment opportunities in the village.
- State Governments should be directed to pay special attention to NREGS in the affected districts and for affected workers.

There is also a need to extend NREGS in several ways: (i) incorporation of skill training as well as use of skilled persons under NREGS, (ii) inclusion of social services in NREGS, (iii) flexibility with respect of selection of assets under NREGS and (iv) increase in the number of days of work, from 100 days per household to unlimited number of days.

There is a strong demand emerging for an urban employment guarantee programme. Our study has shown that most workers are not willing to migrate back to their villages. They also find it difficult to live in urban centres when their wages fall drastically. They were, therefore, willing to take up work if it was made available to them. The urban EGP could focus on urban infrastructure and urban services such as drinking water, sanitation, etc. The specific characteristics of an urban EGP could be (i) inclusion of skilled work in the programme, (ii) inclusion of skill training, (iii) improving social services and (iv) improving the quality of life.

Considering the fact that (i) the urban poor, particularly those living in slums, need enormous investment to

improve their access to infrastructure and basic services, and (ii) small and micro enterprises in the informal urban sector require sound infrastructural support, urban EGP can play a useful role in the context of the crisis.

Looking ahead

The study has serious implications for the growth path that the country has chosen. The first question that arises in the context of our growth path is about the gains of globalizing at the lowest end of the value chain, where the work is labour intensive, the value added is low, the employment gain is positive, but the quality of employment is very poor, and the control or the decision making power is in the hands of Global Production Networks (GPN), located in developed countries. This is the case of all our export intensive industries like gems and jewellery, textiles, garments, engineering and auto parts. The quality of employment that was low, has become much lower, due to the pressure of competition from the global market.

This kind of globalization does not really help either in terms of gains in employment (because the quality of employment is miserable) or in terms of stability of employment and incomes of workers. There is a need to take a fresh look at the globalization policies.

One option is to move up in the global value chain and acquire a place in the GPN to acquire some stability – a protection against the volatility of demand in the global market. For example, in the case of the diamond industry, manufacture of jewellery will give a larger and more stable place in the global market. Similarly, by integrating vertically and by creating global brands, the textile and garment industries can stabilize their position in the global market. However, experience has shown that this task is formidable, as it involves changing the global structure of production in favour of developing countries.

The adverse impact of the global crisis on the workers of export industries emanates from the non-integration of the labour policy with the trade policy and the industrial policy that aims to promote growth of exports. For example, the Ministry of Textiles, Government of India and the Ministry of Commerce, Government of India, worked very closely together to take maximum advantage of the post-quota regime in textiles and garments. However, labour policy is not examined when the industry and the trade ministries work together, with the result that the quality of employment is sacrificed.

This raises fundamental questions about the validity of the strategy of depending on exports as the main driver of economic growth and promoting industrialization through producing goods for the global market. To put it differently, by treating exports as a goal in itself, rather than a means to increase employment and well-being of workers, reduce poverty and promote human development, the real developmental goals are kept outside the purview of the globalization related policies including trade policy. In order to integrate developmental goals with the growth process, it is necessary to ensure well-being of workers through universal social protection, on the one hand and to produce goods for the masses in the domestic market, on the other. Clearly, there is a need to rely more on domestic markets for economic growth.

Focusing on expansion of domestic demand helps in multiple ways. To start with, it ensures relative stability of growth, as growth is located within the domestic economy. It also ensures poverty reduction, since domestic demand increases with the increased purchasing power of people, particularly the poor. And finally, it facilitates achievement of human development goals and sustainability of growth. In the final analysis, the study has clear implications for the

development paradigm being followed in the Indian economy.

Finally, some argue that since the Indian economy is moving back on the growth path, with the rate of growth of GDP beginning to pick up gradually, there is no longer any need to worry about the temporary impact of the crisis on the economy.

This view is rather short sighted. This is not to recognize the high vulnerability of our exports to global markets and to the protectionism of the developed world; this is not to remember the severe impact of the crisis on our workers; and this is not to accept the non-inclusiveness of our development paradigm. It also means a refusal to learn any lessons from the global crisis.

Data Compiled from Sample Surveys in the Six Sectors

Table 1 Selected Sectors, Centres and Sample Size						
Sector	State/s	Location of Study	Sample		Total	Organization
			Workers	Small enterprises		
Gems and jewellery industry	Gujarat	Surat	127	35	162	CFDA
		Bhavnagar (returned migrants)	34		34	
Auto parts industry	Punjab	Ludhiana	125	31	156	EDII
Engineering industry	Gujarat	Rajkot	120	30	150	GIDR
	Tamil Nadu	Coimbatore	123	40	163	
Home based garments industry	Gujarat	Ahmedabad	100		100	SEWA
	Madhya Pradesh	Indore	100		100	
Agriculture	Gujarat	Gujarat	78	22	100	SEWA
Chikan craft	Uttar Pradesh	Lucknow	100	20	120	SEWA
Total			907	156	1085	

Note: CFDA: Centre For Development Alternatives, EDII: Entrepreneurship Development Institute of India, GIDR: Gujarat Institute of Development Research, SEWA: Self-employed Women's Association

Table 2: Information on Households in Sample

Sector	Total No. of Households (HHs) in sample	Gender		Religion				Social Group				Type of Family			Type of House		
		Male	Female	Hindu	Muslim	Christian	Other	SC	ST	OBC	Other	Joint	Nuclear	Single	Kutcha	Semi Pucca	Pucca
Gems and jewellery industry	127	No. of HH	126	1	0	0	0	0	3	40	80	56	67	4	2	43	82
		%	99.2	0.8	0.0	0.0	0.0	0.0	2.4	25.1	63.6	44.1	52.8	3.1	1.6	33.9	64.6
Auto parts industry	125	No. of HH	118	7	9	6	50	56	3	42	24	13	89	23	19	20	86
		%	94.4	5.6	48.0	7.2	40.0	44.8	2.4	33.6	19.2	10.4	71.2	18.4	15.2	16.0	68.8
Engineering industry	243	No. of HH	243	0	-	-	-	11	30	168	34	49	152	42	49	129	65
		%	100	0.0	0.0	0.0	0.0	4.5	12.3	69.1	14.0	20.2	62.6	17.3	20.2	53.1	26.7
Home based garments industry	200	No. of HH	2	198	11	189	0	39	4	126	31	55	141	4	64	58	78
		%	1.0	99.0	5.5	94.5	0.0	19.5	2.0	63.0	15.5	27.5	70.5	2.0	32.0	29.0	39.0
Agriculture	100	No. of HH	7	93	88	10	2	17	25	55	3	81	16	3	34	36	30
		%	7.0	83.0	88.0	10.0	2.0	17.0	25.0	55.0	3.0	81.0	16.0	3.0	34.0	36.0	30.0

Table 2: Information on Households in Sample (Contd.)																			
Chikan Craft	100	No. of HH	16	84	16	82	0		2	6	3	59	32	62	38	0	20	30	50
		%	16.0	84.0	16.0	82.0	0.0		2.0	6.0	3.0	59.0	32.0	62.0	38.0	0.0	20.0	30.0	50.0
Total	895	No. of HH	505	390	311	282	7		52	205	47	473	170	277	543	75	188	316	391
		%	56.4	43.6	34.7	31.5	0.78		5.81	22.9	5.2	52.8	18.9	30.9	60.6	8.4	20.5	33.0	46.51

Table 3 Age Distribution of Workers									
Sector	Total No. of Workers	Age Group	0-20	21-29	30-39	40-49	50+	Average Age	
Gems and jewellery industry	127	No. of Workers	10	30	47	30	10	35	
		% of Workers	7.87	23.62	37.01	23.62	7.87		
Auto parts industry	125	No. of Workers	17	14	43	35	16	34	
		% of Workers	13.60	11.20	34.40	28.00	12.80		
Engineering industry	243	No. of Workers	20	39	101	43	40	30	
		% of Workers	8.23	16.05	41.56	17.70	16.46		
Home based garments industry	200	No. of Workers	11	47	92	37	13	34	
		% of Workers	5.50	23.50	46.00	18.50	6.50		
Agriculture	100	No. of Workers	0	12	27	40	21	36	
		% of Workers	0.00	12.00	27.00	40.00	21.00		
Chikan craft	100	No. of Workers	28	25	31	8	8	30	
		% of Workers	28.00	25.00	31.00	8.00	8.00		
Total	895	No. of Workers	86	167	341	193	108	30	
		% of Workers	9.61	18.66	38.10	21.56	12.07		

Table 4 Educational Status of Workers							
Sector	Total No. of Workers	Educational Status	Illiterate	Primary	Secondary	Higher Secondary	Graduate/ (12+)
Gems and jewellery industry	127	No of Workers	24	34	65	4	0
		% of Workers	18.90	26.77	51.18	3.15	0
Auto parts industry	125	No of Workers	27	35	49	7	7
		% of Workers	21.60	28.00	39.20	5.60	5.60
Engineering industry	123	No of Workers	5	13	88	10	7
		% of Workers	4.07	10.57	71.54	8.13	5.69
Home based garments industry	200	No of Workers	39	61	85	14	1
		% of Workers	19.5	30.5	42.5	7	0.5
Agriculture	100	No of Workers	60	32	7	1	0
		% of Workers	60.00	32.00	7.00	1.00	0.00
Chikan craft	100	No of Workers	41	41	10	8	0
		% of Workers	41.00	41.00	10.00	8.00	0.00
Total	775	No of Workers	196	216	304	44	15
		% of Workers	25.29	27.87	39.23	5.68	1.94

Table 5 Employment Status of Workers and Consequences of Loss of Job/Work													
Consequences	Sector	Gems and jewellery industry	Auto parts industry	Engineering industry	Home based garments industry	Agriculture	Chikan craft	Average %					
		127	125	243	200	100	100						
	Total No. of Households (HH)	%	%	%	%	%	%						
Unemployed at present		30	5	2	5	1	5	8.00					
Undertook similar work with lower income		49	55	53	80	99	57	31.83					
Shifted to another sector / work		21	3	1	1	0	38	10.67					
No Change		0	37	44	14	0	0	15.83					
Shifted from skilled / semi-skilled to unskilled work		32	8	8	1	0	38	11.57					
Change in employment status (regular to contract/ temporary / Casual / piece rate / home based etc		61	70	27	25	0	0	26.14					
Longer distance and higher cost of travel		13	5	21	15	43	70	23.86					
Had to change accommodation		5	2	4.5	0	0	68	11.36					

Table 6 Average Monthly Income of Workers Before and After Crisis

Sector	Total no. of workers	Impact on Monthly Income After Crisis			Average Monthly Income of Workers (Rs.)				Average Monthly Income of Households (Rs.)			
		Increase %	No Change %	Decrease %	Before Crisis	After Crisis	Change (+/-)	% Change (+/-)	Before Crisis	After Crisis	Change (+/-)	% Change (+/-)
Gems and jewellery industry	127	2.36	0.79	96.90	5846	3135	-3982	-46.37	8905	5290	-3615	-40.60
Auto parts industry	125	2.80	16.60	80.70	3850	2270	-1580	-41.03	5545	4130	-1415	-25.52
Engineering industry	243	9.45	35.50	55.05	6888	6165	-723	-10.50	8119	7508	-611	-7.53
Home based garments industry	200	4.00	4.00	96.00	1877	615	-1262	-67.23	4932	2972	-1960	-39.74
Agriculture	100	0	40	60	3233	2679	-554	-17.14	3941	3766	-175	-4.44
Chikan craft	100	6.00	9.00	85.00	978	621	-357	-36.50	1445	117	-1328	-91.90
Average (%)	-	3.52	15.13	81.94	3463	2339	-1124	-37.47	5240.71	3806.71	-1434.00	-33.47

Table 7 Average Daily Wages / Earnings of Workers Before and After Crisis					
Sector	Total No. of Households (HH)	Average Daily Earning (Rs.)			Change % (+/-)
		Before Crisis	After Crisis	Change (+/-)	
Gems and jewellery industry	127	184.51	102.80	-81.71	-44.28
Auto parts industry	125	154.65	126.40	-28.25	-18.26
Engineering industry	243	166.60	144.35	-22.25	-13.36
Home based garments Industry	200	66.74	39.44	-27.30	-40.91
Agriculture	100	107.1	89.05	-18.05	-16.85
Chikan craft	100	32.61	20.70	-11.91	-36.52
Average		109.23	78.91	-30.32	-30.53

Table 8 Help Received from Different Sources														
Source	Sector	Gems and Jewellery industry		Auto parts industry		Engineering industry		Home based Garments industry		Agriculture		Chikan Craft		Average %
	Total No. of households (HH)	127		125		243		200		100		100		
	Type of Help	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	
Government	For Consumption	21	16.54	8	6.40	0	0.00	0.00	0.00	1	1.0	1	1.00	4.16
	For Work/Employment	21	16.54	8	6.40	0	0.00	0	0.00	2	2.0	1	1.00	4.32
Employer	For Consumption	1	0.79	0	0.00	8	3.29	0	0.00	1	1.0	4	4.00	1.51
	For Work/Employment	21	16.54	21	16.80	0	0.00	2	1.00	6	6.0	0	0.00	6.72
Relatives / Friends	For Consumption	14	11.02	15	12.00	1	0.41	0	0.00	3	3.0	1	1.00	4.57
	For Work/Employment	2	1.57	79	63.20	0	0.00	2	1.00	9	9.0	0	0.00	12.46
Industry Associations	For Consumption	0	0.00	55	44.00	14	5.76	0	0.00	1	1.0	5	5.00	9.29
	For Work/Employment	0	0.00	5	4.00	0	0.00	1	0.50	1	1.0	0	0.00	0.92
No Help received	For Consumption	0	0.00	33	26.40	1	0.41	0	0.00	94	94.0	0	0.00	20.14
	For Work/Employment	83	65.35	30	24.00	0	0.00	95	47.50	82	82.0	98	98.00	52.81

Table 9 Changing Remittance Pattern									
Sent Money			Yes			No			
Sector	Total No. of HHs		Before	After	Change (+/-)	Before	After	Change (+/-)	
Gems and jewellery industry	127	No	48	20	-28	79	107	28	
		%	37.8	15.7	-22.0	62.2	84.3	22.0	
Auto parts industry	125	No	33	29	-4	92	96	4	
		%	26.4	23.2	-3.2	73.6	76.8	3.2	
Engineering industry	243	No	94	54	-40	149	188	39	
		%	38.7	22.2	-16.5	61.3	77.4	16.0	
Home-based garments industry	200	No	13	4	-9	187	196	9	
		%	6.5	2.0	-4.5	93.5	98.0	4.5	
Agriculture	100	No	4	0	-4	74	70	4	
		%	4.0	0.0	-4.0	74.0	70.0	4	
Chikan craft	100	No	0	0	0	0	0	0	
		%	0	0	0	0	0	0	

Table 10 Nature of Dis-saving After Crisis													
Details	Sector	Gems and jewellery industry		Auto parts industry		Engineering industry		Home based garments industry		Agriculture		Chikan craft	Average %
		No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%		
Liquidation of HHs Savings	Total No. of HH	127	125	243	200	100	100	100	100	100	100	100	100
		No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%
		65	51.18	69	55.20	73.00	30.04	26.00	13.00	22	28.20	15	15.00
Pawning of Assets (Gold, Silver, House, etc)		15	11.81	19	15.20	73.00	30.04	23.00	11.50	7	9.0	6	6.00
Selling of Assets (Gold, Silver, Land, House, Appliances, etc)		15	11.81	33	26.40	7.00	2.88	15.00	7.50	13	16.67	25	25.00
Total		95	74.80	121	96.80	153	62.96	64	32.00	42	53.87	46	46.00
													61.07

Table 11 Borrowing Before and After Crisis (% of total HHs)								
Source of Borrowing	Sector	Gems and jewellery industry	Auto parts industry	Engineering industry	Home based garments industry	Agriculture	Chikan craft	
	Total No. of HHs	127	125	243	200	100	100	
Relative/ Friends		%	%	%	%	%	%	%
	Before	21.26	17.60	0.5	3.00	8.0	6.00	
Money Lenders	After	36.22	65.60	34	24.00	13.0	3.00	
	Before	3.15	4.00	0.5	0.00	5.0	6.00	
Banks	After	3.94	10.40	1.5	8.00	10.0	2.00	
	Before	1.57	0.00	0	0.00	3.0	0.00	
Other (SHGs /MFIs)	After	0.79	6.40	1.5	3.50	4.0	0.00	
	Before	6.30	1.60	0.5	0.00	19.0	1.00	
Total	After	9.45	4.00	10	0.50	12.0	2.00	
	Before	32.28	23.20	1.5	3.00	35.0	13.00	
	After	50.3	86.40	47	36.00	39.0	7.00	

Table 12 Percentage of Households Reducing Food Consumption After Crisis						
Change in Food Intake (%)	Gems and jewellery industry	Auto parts industry	Engineering industry	Home based garments industry	Agriculture	Chikan craft
Stopped/reduced eating meat/chicken/eggs	38.58	8.80	18.3	14.50	27.0	35.00
Stopped/reduced eating out	49.61	18.40	14.5	19.50	11.0	22.00
Stopped eating breakfast	0.00	2.40	12.4	3.50	1.0	4.00
Stopped/reduced eating vegetables/milk	0.00	18.40	9.2	34.00	20.0	10.00
Skipped a meal every day	0.00	16.80	3.1	3.00	0.0	6.00
No change	11.81	46.40	42.5	4.50	16.0	23.00

Table 13 Education Expenditure After Crisis (Percentage of households)

Type of Impact	Gems and jewellery industry			Auto parts industry			Engineering industry			Home based garments industry			Agriculture			Chikan craft		
	Boys	Girls	Both	Boys	Girls	Both	Boys	Girls	Both	Boys	Girls	Both	Boys	Girls	Both	Boys	Girls	Both
Dropped out from school/college	8.90	19.25	0.00	3.2	3.2	3.2	5.50	0.41	0.00	2.00	0.00	0.00	11.00	0.00	0.00	15.00	4.00	0.00
Change to cheaper school	7.40	0.00	0.00	0.00	0.00	0.00	1.50	0.00	0.00	0.00	0.00	0.00	7.00	0.00	0.00	8.00	15.00	0.00
Changed from private to public schools	8.20	10.27	0.00	17.6	15.20	12.80	10.50	0.82	0.00	6.00	3.00	0.00	11.00	0.00	7.00	0.00	0.00	0.00
Loan for Education	1.20	1.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Have not paid fees	3.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	8.00	8.00	0.00
Reduced expenditure on education	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.27	0.00	0.00	40.00	0.00	0.00	0.00	0.00	4.00	2.00	0.00
Not purchasing school books	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	28.85	30.89	0.00	20.80	18.40	1.60	17.50	2.50	0.00	11.00	43.00	0.00	29.00	0.00	10.00	35.00	29.00	0.00
No change in education expenses	14.96	0.00	0.00	0.00	0.00	56.80	0.41	0.00	0.00	0.00	0.00	7	0.00	0.00	63.00	15.00	21.00	0.00
Not applicable	0.00	0.00	0.00	0.00	0.00	8.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00

Table 14 Change in Medical Treatment (Percentage of total HHs)						
Change	Gems and jewellery industry	Auto parts industry	Engineering industry	Home based garments industry	Agriculture	Chikan craft
Shifted from private to public facilities	3.94	25.60	31.40	48.00	28.0	38.00
Stopped/reduced going to outside facilities	62.99	10.40	5.60	6.00	4.0	26.00
Medical care given at home	0.00	36.00	7.20	0.00	9.0	5.00
No change	33.07	29.60	55.80	46.00	13.0	31.00

Table 15 Change in Economic Participation of Women														
Nature of Impact	Sector	Gems and jewellery industry		Auto parts industry		Engineering industry		Home based garments industry		Agriculture		Chikan craft		Average %
		No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	
Non-working women joined part time work	Total No. of HH	127		125		123		200		100		100		
		No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	
		21	16.54	27	21.60	5	4.40	18.00	9.00	1	15.0	36	36	17.09
Non-working women joined full time work		65	51.18	5	4.00	2	1.20	4.00	2.00	32	32.0	11	11	16.90
Working women have increased working hours		0	0.00	0	0.00	5	4.40	24.00	12.00	12	12.0	5	5	5.57
Total %		67.72		25.60		10.00		23.00		59.0		52.00		38.51

Table 16 Change in Domestic Work of Women (Hours spent)														
Nature of Impact	Sector	Gems and jewellery industry		Auto parts industry		Engineering industry		Home based garments industry		Agriculture		Chikan craft		Average %
		No. of HH	%	No. of HH	%			No. Of HH	%	No. of HH	%	No. of HH	%	
Increase in domestic work	Total No. of HHs	127		181		123		200		100		100		
		No. of HH	24.41	No. of HH	12.00	16	13.40	92.00	46.00	42	42.0	49	49	31.14
Decrease in domestic work		5	3.94	7	5.60	1	0.80	23.00	11.50	11	11.0	9	9	6.97
Decrease in domestic work due to economic participation		9	7.09	11	8.80	1	0.80	0.00	0.00	0	0.00	6	6	3.78
No noticeable change		84	66.14	92	73.60	105	85.00	44.00	22.00	13	13.0	36	36	49.29
Total %		35.43		26.40		15.00		57.50		53.0		64.00		41.89

Table 17 Overall Impact of the Crisis on Households														
Nature of Impact	Sector	Gems and jewellery industry		Auto parts industry		Engineering industry		Home -based garments industry		Agriculture		Chikan craft		Average %
	Total No. of HH	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	No. of HH	%	
		127		125		123		200		100		100		
Decline in expenses on children's education		109	85.8	69	55.2	24	20.0	54	27.0	40	40.0	66	66.0	49.0
Decline in food intake		112	88.2	81	64.8	69	57.5	149	74.5	29	29.0	77	77.0	65.2
Decline in paying house rent		34	26.8	72	57.6	41	34.2	21	10.5	3	3.0	22	22.0	25.7
Decline in remittances sent home		30	23.6	4	3.2	37	30.8	9	4.5	0	0.0	0	0.0	10.4
Shifted from private to govt. hospitals/home for medical treatment		43	33.9	90	72.0	49	40.8	108	54.0	95	95.0	78	78.0	62.3
Decline in expenses on health /medicines		21	16.5	91	72.8	9	3.7	112	56.0	68	68.0	23	23.0	40.0
Increase in children/old persons into workforce		5	3.9	22	17.6	5	4.2	39	19.5	10	10.0	38	38.0	15.5

Table 17 Overall Impact of the Crisis on Households (Contd.)

Increase in economic participation by women	26	20.5	32	25.6	12	10.0	49	24.5	59	59.0	52	52.0	31.9
Increase in domestic work of women	31	24.4	33	26.4	18	15.0	115	57.5	63	63.0	49	49.0	39.2
Increase in domestic conflict/tension	16	12.6	107	85.6	33	27.5	66	33.0	58	58.0	58	58.0	45.8
Increase in spending on smoking and drinking	49	38.6	31	24.8	40	33.3	17	8.5	53	53.0	35	35.0	32.2
Increase in instances of depression/mental and physical illness	11	8.7	108	86.4	83	69.2	64	32.0	25	25.0	23	23.0	40.7
Increase in transport costs	36	28.3	52	41.6	28	23.3	32	16.0	66	66.0	26	26.0	33.5
Average %		31.68		48.74		28.42		32.12		43.8		42.08	37.81

Appendix 1

Sector Studies

1. *Losing the shine - Impact of the global crisis on the diamond cutting and polishing industry in Gujarat*, Indira Hirway, Centre For Development Alternatives, Ahmedabad.
2. *In low gear - Impact of the global crisis on workers in the auto parts industry in Punjab*, Santosh Kumar, Jignasu Yagnik, Entrepreneurship Development Institute of India, Ahmedabad
3. *Nuts and Bolts- Impact of the global crisis on tail enders in the production chain: A case study of the engineering sector in Rajkot and Coimbatore*, Amita Shah, Dipak Nandani and Hasmukh Joshi, Gujarat Institute of Development Research, Ahmedabad.
4. *Impact of the global crisis on agriculture: A study in Gujarat*, Self Employed Women's Association (SEWA).
5. *Impact of global crisis on the poor and marginalized women and men in the Chikan craft industry in India, a case study of Lucknow*, Self Employed Women's Association (SEWA).
6. *Impact of global crisis on home based garment workers in Indore and Ahmedabad*, Surashree Shome, Jayshree Panchal, Manali Shah and Research Team of Self Employed Women's Association (SEWA) and Academy and Grassroot Research Team of SEWA Urban, Ahmedabad.

References

- Chhibber, Ajay & Palanivel, T (2009), "India Manages Global Crisis But Needs Serious Reforms for Sustained Inclusive Growth," UNDP.
- Debroy, Bibek (2009), "Growth Downrun and Its Effects" in *Global Financial Crisis: Impact on India's Poor Some Initial Perspectives*, UNDP, New Delhi.
- Dubey, Muchkund, (2009), "Towards a New International Monetary and Financial Architecture", *Mainstream* Vol.XLVII No, April 18.
- Duggal, Arun (2009), "Lessons from the Financial Crisis", article in *The Economic Times*, 23 June, 2009.
- Dutt, Ruddar (2009), "Global Meltdown and its Impact on the Indian Economy" *Mainstream* Vol.XLVII No.15, March 28.
- The Economic Times (2009), "Is Global Crisis the only reason for India's Export Decline?", May 5.
- Elson, Diane (2008), "Gender Equality and the Economic Crisis", IDRC/SID-OG meeting, Ottawa.,27 November, 2009.
- FAO, (2009) Media Centre: 1.02 billion people hungry <http://www.fao.org/news/story/en/item/20690/icode/>
- Gangopadhyay Shubhashis (2009), "Impact of Slow Down on the Indian Economy", paper presented at the seminar on Global Financial Crisis organised by UNDP, New Delhi.
- Ghosh, Jayati, (2009) "Global Crisis and the Indian Economy" in *Global Financial Crisis: Impact on India's Poor – Some Initial Perspectives*, UNDP, New Delhi.
- Goyal, Ashima (2009), "Avoiding Handicaps: Assessing Global Policy Advice for India", *Economic & Political Weekly*, Vol No 18.
- IDEAs, (2009), "Report of Panel Discussion on New Directions in Financial Regulation", IDEAs Website.
- IDS, (Institute of Development Studies) (2009), *China and the Global Financial Crisis: Implications for Low-income Countries, Policy Responses to the Global Financial Crisis*, IDS, UK.

- ...IDS, (Institute of Development Studies) (2009), *From Crisis Management to Institutional Reform* (2009), Policy Responses to the Global Financial Crisis, IDS, UK.
- ...IDS, (2009), *Macroeconomic Policy, Stimuli, Aid, and Budgeting, Policy Responses to the Global Financial Crisis*, IDS, UK.
- IDS, (2009), *Social Protection Responses to the Financial Crisis: What Do We Know?*, Policy Responses to the Global Financial Crisis, IDS, UK.
- IDS, (2009), *The Global Financial Crisis, Developing Countries and Policy Responses, Responses to the Global Financial Crisis*. IDS, UK.
- IDS, (2009), *Will the Global Financial Crisis Change the Development Paradigm, Policy Responses to the Global Financial Crisis*, IDS, UK.
- ILS, (International Institute for Labour Studies) (2009), *The Financial and Economic Crisis: A Decent Work Response*, International Labour Office, Geneva.
- ILO, (International Labour Organization) (2009), *Global Employment Trends*, International Labour Office, Geneva.
- Jain, Devaki (2009), Paper on "Economic Crisis and Women: A Draft Review of Selected Sources of Knowledge", *Mainstream*, VOL XL VII No. 27, June 19-25.
- Johnson, Simon (2009), "The Quiet Coup" in the Atlantic Online, website: <http://www.theatlantic.com/doc/print/200905/imf-advice>, May.
- Khatu, K.K, Tamang A.K. and Rao C.R.(1983), *Working Children in India*, Operations Research Group, Dr.Vikram Sarabhai Marg., Baroda.
- Kumar, Rajiv (2009), "Global Financial and Economic Crisis: Impact on India and Policy Response" in *Global Financial Crisis: Impact on India's Poor – Some Initial Perspectives*, UNDP, New Delhi.
- Labour Bureau (2009), *Result of the First Quarterly Survey Effects of Economic Slowdown on Labour*, Ministry of Labour, Government of India, New Delhi.

- Labour Bureau (2009), *Results of the Second Quarterly Survey Effects of Economic Slowdown on Labour*, Ministry of Labour, Government of India, New Delhi.
- Labour Bureau (2009), *Result of the Third Quarterly Survey Effects of Economic Slowdown on Labour* Ministry of Labour, Government of India, New Delhi.
- Mahajan, Vijay (2009), "Impact of the Economic Downturn on Non-farm Sector Workers" in *Global Financial Crisis: Impact on India's Poor – Some Initial Perspectives*, UNDP, New Delhi.
- Mohan, T. T. Ram, (2009), "The Impact of the Crisis on the Indian Economy", *Economic & Political Weekly*, Vol no 13. March 28.
- NCEUS, (2009), "Report on The Global Economic Crisis and the Informal Economy in India: Need for Urgent measures and fiscal stimulus to protect the informal economy", NCEUS, Government of India.
- Prabhu, Seeta K. (2009), "Impact of Financial Crisis on India's March Towards MDGs" in *Global Financial Crisis: Impact on India's Poor – Some Initial Perspectives*, UNDP, New Delhi.
- Rajan, Irudaya S, A.V Jose, K.J. Joseph, Sunil Mani, M. Parameswarn, P.Mohanan Pillai, and V. Santhakumar (2008) *Report on the Global Financial Crisis and Kerala Economy: Impact and Mitigation Measures*, CDS, December.
- Reserve Bank of India (RBI), (2009), *Report of the Task Force for Diamond Sector*, RBI, Ahmedabad.
- RIS, (Research and Information System for Developing Countries) (2009), *Summary Report on High-Level Conference on Financial Crisis, Global Economic Governance and Development: Responses of Asia and the Global South*, 6-7, February, New Delhi.
- Stiglitz, Joseph (2009), "The Global Crisis, Social Protection and Jobs", *International Labour Review*, Volume 148, No. 1-2, International Labour Office, Geneva.
- Stiglitz Joseph (2009), "UN Conference Agreement Seeks to Tackle Global Economic Crisis", July, UNDP, New York.
- Subramanian, Arvind (2009) "Whom can we rely on? Emerging Markets and the Credit Crunch", *The Indian Express*, May 21.



Impact of Global Economic Crisis on the Poor in India

A Synthesis of Sector Studies

In April 2009, UNDP India supported a quick survey in some of the major affected sectors, in selected states of India, to get a better understanding of the impact of the global crisis on small producers and informal workers. The sectors for the quick surveys were identified on the basis of emerging reports that highlighted the impacts on specific sectors, viz., Agriculture, Auto Parts, Chikan Craft, Engineering Products, Home-based Garments and Gems & Jewellery.

These studies draw attention to the plight of workers and producers under the volatile global market. The study has shown that the highly competitive as well as uncertain global market can cause a great deal of instability to poorly protected workers, as well as to small producers in the informal economy.

United Nations Development Programme

55, Lodi Estate, P.O. Box 3059

New Delhi 110003, India

Tel: (91 11) 4653 2333 / Fax: (91 11) 2462 7612

Email: info.in@undp.org

www.undp.org.in