



In Low Gear


Impact of the Financial Crisis on Workers and Firms in the Auto Parts Industry

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ACRONYMS

ACMA	Auto Component Manufacturers' Association
CAGR	Compound Annual Growth Rate
CICU	Chamber of Industrial and Commercial Undertakings
CV	Commercial Vehicle
FGD	Focus Group Discussion
NAFUS	National Fund for the Unorganized Sector
NCEUS	National Commission for Enterprises in the Unorganized Sector
NREGS	National Rural Employment Gaurantee Scheme
OBC	Other Backward Classes
OEM	Original Equipment Manufacturers
PV	Passenger Vehicles
SC	Scheduled Castes
SSI	Small Scale Industry
ST	Scheduled Tribes
FISME	Federation of Indian Micro and Small and Medium Enterprises
VAT	Value Added Tax

1. INTRODUCTION

The opening of the global market, post-liberalization has brought with it both challenges and opportunities for Indian industry. Although, there are differences in performance across sub sectors, the overall response of the manufacturing sector has been commendable. The contribution of the small industry segment to the economic growth (which was more than eight percent) during the period 1999-2000 to 2007-08¹ cannot be undermined. The Small Scale Industry (SSI) sector accounts for almost 40 percent of the gross industrial production of the Indian economy. Production increased at an average annual growth rate of 15.42 percent, over the three years 2004-05, 2005-06 and 2006-07. Direct exports from the SSI sector accounted for nearly 35 percent of total exports. Besides direct exports, it is estimated that the SSI accounts for another 15 percent of exports, indirectly (Pandey, 2007). Despite commendable growth, the working conditions, income levels and social security of workers engaged in the production process, particularly the workers in tiny and small firms, have seen little improvement.

The working conditions in micro and small enterprises are far from satisfactory, when measured on various parameters of 'decent work' (Awasthi, 2007). The Indian auto component industry witnessed a growth of 18 percent during the 2001-02 to 2006-07 period; yet the condition of workers in the small units in this sector is distressing. As reported in Cygnus (August 2007), there are 400 large firms in the organized auto component sector, which cater largely to Original Equipment Manufacturers (OEMs) and another 10,000 firms operate in the unorganized sector, manufacturing low-tech auto parts and components. The entire industry is located in 10 major clusters in the country, in Aurangabad, Belgaum, Chennai, Gurgaon, Jalandhar, Jamshedpur, Ludhiana, Phagwara, Pithampur and Pune. These clusters account for over 93 percent of the total output.

Export of auto parts grew at CAGR (compound annual growth rate) of 23.56 percent during the period 2001-02 to 2006-07 (Cygnus, August 2007). The share of exports in total production has risen from 12.93 percent in 2001-02 to 18.48 percent in 2006-07, and the exports were worth Rs. 2.22 billion (US\$ 0.06 billion) in 2006-07. The proportion of OEMs to 'after market' or 'spares market' has changed from 35:65 in 1990, to 75:25 in 2006, and hence this segment has shown a significant growth in its contribution to exports (Awasthi, 2007). The Indian auto components industry is in the midst of transition from being low-quality, low-tech and heavily dependent on the domestic market to becoming a global industry, which is driven by quality, scheduled delivery and reliability. As per Cygnus (January 2007), the major export destinations are Europe (34 percent) and America (26 percent). Export of auto parts has increased from about 12 percent in 1999-2000 to 18 percent in 2005-06,

¹ Source: <http://www.smallindustryindia.com/ssiindia/performance.htm>

in the auto components segment. Gross value of output of the auto components manufacturing sector registered a steady growth rate of around 25 percent in the period 2003-04 to 2005-06, as compared to 22.86 percent during the period 2001-02 to 2003-04 (Pillania, 2007). However, since the first quarter of the last fiscal, India's auto component makers are in the throes of one of the worst crises ever. With the domestic market in the doldrums and the exports to the American market being adversely hit; many companies are on the verge of shutting down. The entire supply chain of auto companies is bearing the brunt of the economic meltdown. From Tier-1 companies to small-scale units, all units are facing a huge fall in demand, delayed payments and a stiff liquidity crunch.

The commercial vehicle (CV) segment has been the worst hit by the crisis. While such crises are cyclical, and tend to recur every five to six years, the magnitude of the decline in demand has put all companies in trouble. 'Auto component makers are hit very badly. The OEMs have not been able to sell their piled-up stocks. Cash flow is getting adversely affected. Payments are getting delayed, affecting a lot of projects' (Bhambra, 2009). The overall sentiment is negative, as was observed by the industry leaders in Ludhiana. The cyclical fluctuations in the demand and the production of the auto component sector have a direct link with the demand for vehicles in the domestic as well as in the international market.

Sales data of different vehicle segments reveals that the demand for two-wheelers, three-wheelers, CVs and passenger vehicles (PVs) has been fluctuating in the period from 2002-03 to 2006-07. Growth rates of sales of two-wheelers, three-wheelers, CVs and PVs in 2002-03 were 14.47 percent, 15.60 percent, 30.01 percent and 4.75 percent, respectively and by the year 2006-07 the growth rates of two-wheelers, three-wheelers, CVs and PVs were 11.42 percent, 12.22 percent, 33.28 percent and 20.7 percent respectively (Badri Naraynan and Vashisht, 2008, India Law Officers' Newsletter, 2009). This period of crisis has coincided with the financial and economic downturn at the global level. Those firms and producers who are dependent almost entirely on exports, with little or no share of the domestic market, as in Ludhiana, have been the worst hit. Thus, the meltdown has only heightened the crisis that had already begun in this sector.

The liquidity crunch, the inventory pile up and the re-scheduling of export orders has taken the sheen off the auto components industry. For the first time in a decade, the sector has clocked single-digit growth or registered a fall in earnings. The Auto component Manufacturers' Association (ACMA 2009) projected a six percent growth in turnover and 5.5 percent growth in export earnings for 2008-09; against projections of 20 percent and 24 percent respectively, in previous years (see Appendix II for ACMA Report 2009).

Although, the \$18 billion sector (in India) has seen its overall revenue for 2008-09 going up by \$1 billion, the rate of growth of exports has nose-dived – from 47 percent in 2005-06 to 5.5 percent for 2008-2009. Further, as many as 70,000

casual labourers were laid off, between September and December 2008, according to the ACMA Report (ACMA Newsletter, January 2009). As per another Report from the Federation of Indian Micro and Small and Medium Enterprises (FISME), about 4,000 ancillary units are on the verge of closure and about 200,000 people will be affected by the current crisis. Most companies have cut down the number of shifts, working days and production (FISME Newsletter, December 2008).

As a result of technological up-gradation, automation and modernization since the 1980s, there has been a tremendous growth in the size of the auto industry in Punjab, and a huge improvement in the quality of products. Due to these factors, the auto parts industry in Punjab has been exporting its products and is able to face the stiff competition from other auto parts manufacturing industries, located across the world.

According to rough estimates, there are about 2,000 registered units, manufacturing auto parts in the state, out of which 400 units are in Ludhiana. About 200 auto part units export their products directly, of which 50 units are located in Ludhiana. In addition to these registered units, there are hundreds of units which are not registered and produce ancillary products for the auto parts industry, such as nuts and bolts or washers, etc., from temporarily erected workshops, often located in their homes.

Although, in the last few years (especially since 1995), the auto parts industry in Punjab has been adjudged as one of the better performing sectors, due to its excellent quality (Bhambra, 2009), it continues to face numerous difficulties. The fact that the ports are far away from Punjab, means that the transportation costs for auto parts exporting units are high.

The other impediments to the industry, in Punjab, are the subsidy and incentive packages being provided to the industry in the states of J&K, Himachal Pradesh, Bihar, Uttar Pradesh (UP) and Uttarakhand, by the Central Government. Due to these incentives to the industry in these states, the comparative cost of similar products are as much as 15 percent lower than in Punjab (where there are no subsidies). Other factors like 'inspector raj', rigid labour laws, fluctuations in raw material prices, non-uniformity in VAT rates, frequent increase in power tariff and the apathetic attitude of the Punjab Government have adversely affected the growth of the industry. For example, Value Added Tax (VAT), is levied at 12.5 percent on auto parts, whereas it is four percent on tractor parts². There is the issue of freight charges, which the entrepreneurs have to pay for the supply of raw material. This is highest in Punjab, when compared to other states, where this is subsidized, so that the units can absorb the financial burden.

2 There are several items which are used both in tractor and auto parts, and the disparity in tax rates leads to malpractices, as the customers do not want to pay 12.5 percent VAT, and want the item to be billed as tractor parts, on which only four percent VAT is levied.

Another factor is that the labour engaged in the auto parts industry in Punjab earns less than labour engaged in agriculture. The minimum wage rate for industry workers in Punjab was Rs. 3,200, per month, in 2008, while in agriculture it was about Rs. 4,500 per month, in the same year. This has led to the shifting of labour, (the workers are largely migrants, from states such as Bihar, UP and Orissa), from industry to agriculture during the peak agricultural season, when labour demand in agriculture is high. There is another shift as well, labour is moving from Punjab to the newly created industrial hubs in the states of J&K, Himachal Pradesh, UP and Uttarakhand, where wage rates are higher.

Several auto component factory owners, with turnovers of more than Rs 100 crores, concede that they are caught in the worst period. Most of the companies are closely held firms, which have been in the industry for generations and have seen many ups and downs. Huge capacities have been built up to cash in on export opportunities. However, with the global meltdown, the auto component sector is facing a crisis. Plans have gone awry, making it imperative for firms to re-strategize, in a bid to cut costs and survive the crisis.

2. THE APPROACH AND METHODOLOGY OF THE STUDY

This study has been conducted in an attempt to understand the impact of the global meltdown on workers and entrepreneurs in the auto parts industry in Ludhiana - one of the major hubs of the auto parts industry in the country. It examines the issue across the industry, in tiny/micro, small Industries (registered with SSI), and in medium and large industries as well.

Two major objectives of the study are:

- (1) To examine the impact of the crisis on the workers and small producers associated with the industry / sector, and
- (2) To draw inferences for interventions to address the adverse impact on the workers and the sector in the short and medium terms.

In this sample-based study, 31 entrepreneurs and 125 workers' households were interviewed, using a structured schedule. Within the 125 households, there were only seven women-headed households, which is a small size to analyse, and hence the primary analysis of the data is based on the social category alone and does not address gender differences.

To gauge the perspectives of the Industry Associations (Auto Parts and Tractor Parts Manufacturers' Association) as well as the Chamber of Commerce and Industry in Ludhiana were also interviewed. Similarly, to understand the perspectives of the workers in a qualitative manner, Focus Group Discussions (FGDs) were conducted at different locations in Ludhiana.

Though, the data has been collected randomly, it would be prudent to mention that it could be biased, for the following reasons:

1. The months between January and May comprise the harvest season in most parts of the country. Most of the workers, who might have suffered due to the crisis, were not available, as they had probably gone back to their home states.
2. Most of the labour force in Punjab (mainly unskilled and some semi-skilled labour), has shifted to the harvesting of wheat, primarily due to wage differences. They are paid better daily wages in agriculture than in industry. However, agriculture supports the workers only in the peak season and not through the entire year.
3. Some workers have migrated to other states, such as Uttar Pradesh, Uttarakhand, Himachal Pradesh, Bihar, etc, due to the differential (higher) wages that they can earn in the newly set-up, highly subsidized industrial and auto parts hubs, located there.

Despite these limitations, an attempt has been made to understand and analyse the situation on the basis of data collected, in order to ascertain the impact of the crisis and make some policy recommendations.

3. GLOBAL MELTDOWN AND LABOUR

As stated in the methodology, a survey of about 125 households along with the FGDs was carried out to understand the impact of the financial crisis on jobs, job opportunities as well as on livelihood issues for the labour in the auto industry in Ludhiana. Accordingly, three FGDs were conducted in three different locations, close to the areas where the workers stayed.

Profile of the Respondents

The data in the Appendix details the profile of the respondents. In the Social Groups, the category of 'Others' means upper castes, such as Brahmins, Kshatriyas, etc. To understand the impact of the meltdown, the Social Groups act as the defining category, and for most of the analysis this is the variable of analysis. The sample did have female respondents; however as the number was very small, it has not been used as a variable to analyse or assess the impact. In the category of Religion, the 'Others' category means 'Sikhs'. Majority of the respondents were from the Scheduled Castes (SC) category (48 percent), followed by Other Backward Classes (OBCs) category (33.6 percent).

As regards Family Type, 74.2 percent were staying in nuclear families; however this is true largely in case of the families who have migrated from other states (almost 42 percent), in search of employment opportunities. The rest of the local respondents lived in joint families. Of the 42 percent migrant workers, 58 percent lived in nuclear

families; while the rest had joint families back home, though they were staying alone, when the survey was conducted. Hindus and Sikhs form the largest religious category among the sample respondents, and except for the Sikhs, all other respondents were from different states.

About 69 percent of the respondents lived in *pucca* (permanent construction) houses. However, the field observations indicate that these *pucca* houses were located in slums or along the railway tracks. In addition, 62.4 percent of respondents had their own houses.

Among the family members of the respondents in the sample, there were 289 males and 258 females. The data on age and gender (Tables 3.1 and 3.2) reveals that the majority of the respondents – 43 percent and 35 percent - fall in the age bracket of 35 to 44 years or 45 to 55 years of age respectively. The sample had 15 respondents, who are above the age of 55 years. Among the female respondents, four were in the 35 to 44 year age group. On examining the education profile of the respondents, it was found that almost 22 percent of the respondents were illiterate, about 26 percent were educated upto Standard V and 42 percent had education levels varying from Standard VI to Standard X. As has been stated earlier, all those who were educated up to either Higher Secondary level or above received formal technical training and comprised the skilled work-force.

A small percentage of family members have acquired technical training. If the profile of the workers in the skilled or semi-skilled category is juxtaposed with the education level, it is found that less than five percent have a university degree or technical qualifications. The rest of the skilled work force has 'acquired skills' on the job.

JOBLESS, WITH LITTLE HOPE AND NO CAPITAL FOR SELF- EMPLOYMENT

Radheshyam (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 a die to make 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 senior worker, he would not lose his job. However, one evening he was asked not to report to 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 has little hope that he will ever get his dues from the factory owners. Radheshyam knows he will not get any job now, and hence wants to start a small business - selling vegetables and daily provisions - but he does not have the capital required to start such a venture.

Table 3.3 shows the changes in the income levels before and after the meltdown, on the working members of the households in the sample. It suggests that across

income levels, the maximum impact in terms of reduced salaries has been in the relatively higher bracket of Rs. 5,000, per month and the impact falls, as the salary level declines. Income has remained unchanged for the category with the lowest income per month, i.e., those who earn less than Rs. 999, per month. This category consists mostly of daily wage earners or contractual labour. Across the social category, of the 181 work force, 146 labourers (80.7 percent) have suffered loss in income, and among them the worst sufferers were the SCs and OBCs (82 and 87 percent respectively). For 16.6 percent of the workers in the sample (of 125 households), the income level remained the same.

Table 3.4 shows shift in the types of work of the respondents in the sample. It appears most of the impact is on the semi-skilled workers. The percentage of semi-skilled workers declined from 79 percent before the crisis to 21 percent after the crisis, as they have been forced to work as unskilled workers, or they have renegotiated their status to 'unskilled' workers, because they could not afford to be without any source of livelihood. This sharp decline in the semi-skilled workforce is a cause for concern. This also signifies that the impact has de-skilled a number of workers and forced them to work as regular manual labour in the production units. However, the shift in the skilled workforce to other types of work is quite minimal. The data corroborates the point made by the industry representatives, that there is a greater demand for skilled labour, and hence they are retained even at a higher cost.

A significant impact of the meltdown is the change in the employment status of the respondents (see Tables 3.7 and 3.8). About 60 percent of the regular workers have been able to retain their status as regular workers, in the same or in other related sectors. However, for the remaining 40 percent of regular workers the situation has changed. Of the 40 percent, the status of 21 percent workers has changed from regular workers to casual workers, 12 percent of regular workers have taken up work on contractual basis, while seven percent of workers have been rendered unemployed, after the crisis. The facts can be juxtaposed with the social category distribution, which illustrates that the status of employment has changed for 25 percent of the work force. Although there is no shift in the employment status of 74 percent of respondents, the working conditions (meaning thereby either an increase in the work-time, without any increase in the salary package, or a reduction in the salary for the same number of hours of work) have become adverse. Further, about 12 percent have also become casual workers after the crisis, across SC/ST and OBC groups together. For about seven percent of the respondents from SC/ST/OBC categories, the shift has been from regular to contract labour, which also suggests that there is a shift in the terms and conditions of work. It is observed that the crisis has affected jobs/work of all the respondents.

The above situation has also had an impact on the remittances that the respondents usually send to take care of the needs of those left back home. The data suggests that of the total sample size of 125, 26 respondents sent remittances for dependents

in the villages, which has declined to seven now, largely due to the change in the employment situation. However, there were 92 respondents who had never sent remittances home - before or after the crisis.

To assess the impact of the meltdown on the conditions of job/work, the researchers envisaged different situations. If any of the six situations was recorded as a response, it was inferred as an impact on the working conditions. These situations were:

- (i) lost old job and still looking for alternate employment,
- (ii) lost old job but found another job elsewhere,
- (iii) the job is the same but conditions/terms of work have changed,
- (iv) more work with less income or decline in work,
- (v) having to travel longer distances to work,
- (vi) having to shift house to a different location, because the new job is located there.

The data reveals that there was a negative impact in terms of loss of jobs or work or alteration in the conditions of job / work during October 2008 to March 2009, on all the 125 respondents. Table 3.9 in the Appendix shows the impact on labour. Of those in the sample, who lost their jobs and were still unemployed 17 percent had lost jobs due to the closure of the units, while 83 percent lost their jobs due to downsizing.

Of those who had lost jobs but found jobs elsewhere in the sample, for 19 percent the loss of job was due to closing down of the unit and for the majority of the sample (71 percent) it was due to downsizing. The remaining 10 percent of respondents faced changes in the terms and conditions of work, such as more work for less pay or a decline in the work itself (number of hours, part-time work, etc). Retrenchment has affected the workers adversely; however, what is worse is that most of the workers were denied retrenchment benefits, as evident from the data. Due to the altered conditions of employment, there is an indication of a decline in the monthly income of families.

No notice was served on any of the workers before retrenchment. About 67 percent of the workers who lost their jobs and continued to be unemployed had not received their dues (See Table 3.10). In 48 percent of the cases, where the workers lost their jobs, though they found other jobs, retrenchment dues were yet to be paid (It is very unlikely that these will ever be paid). The major reason cited by the employers as well as the workers for this was that there was no business and no profit, there was no possibility of any compensation being paid. As stated earlier, January to May is the harvest season, most of the workers go home and they usually claim all their dues before they go to their place of original residence. This may explain why some of them had their dues settled, when they were asked to leave the jobs. Participants in the FGDs validated this information.

About five percent of the unskilled workers in the sample, were not able to get re-employment. Post October 2008, it was observed that in all categories of labour, be

it skilled or semi-skilled, workers carried out the responsibilities of unskilled labour as well, such as cleaning, transporting raw materials or finished goods, etc. This explains why unskilled labour was not being re-employed. The trend is apparent in Table 3.11 in the Appendix I, which shows the movement of labour across sectors or labour being retained in the same sector, with changed terms and conditions of work.

While, the majority of workers (55 percent) found jobs in the same sector, they have all accepted the temporary status or casual status or contract labour jobs, in place of the regular employment which they enjoyed in the previous situation. There is hardly any possibility of them being hired as regular employees again, as the trend in employment in the local industry, is to outsource labour requirements to labour contractors, to avoid providing the social security cover required for regular workers. An examination of the social category shows that though most of the workers coming from the SC/ST/OBC category have got re-employment, they have either shifted to different jobs in a related sector or have shifted from the auto parts manufacturing sector to a completely different sector. The impact is also on the status of individual earnings, which in most cases has depleted, due to unfavorable working conditions and changes imposed by employees. The average monthly income decreased from Rs. 3,200 to Rs. 2,600, and in some cases even to Rs. 2,200, per month. The data on the shrinking family incomes can be corroborated in the same context.

Impact on Children's Education, Food Intake and Health

One of the areas that is most impacted in such a crisis is the education of children. However, the following data suggests that in case of a majority of the households (56.8 percent), there has not been any change in the expenditure incurred on the education of children.

About 18 percent of boys and 15 percent of girls in the sample have shifted to less expensive schools or from private schools to government schools. The drop-out rate for both boys and girls was about 3 percent.

For 47 percent of the workers in the sample, there was no change in the food intake pattern. However, as Table 3.13 suggests, 19 percent of families in the sample have stopped eating out. Another 19 percent have either stopped or reduced eating vegetables or drinking milk; and 17 percent of the respondents have started to skip a meal every day, which is a matter of concern. These steps have been taken by the families to cut down on food expenses.

The livelihood issue also impacts access and affordability of medical services available to the households. The survey reveals that 36 percent of the sample households were now more dependent on the medical care given at home, while 25.6 percent of the people shifted from using private dispensaries to facilities provided by the Government. In all, about 10 percent have discontinued or reduced

ongoing treatment. There was no change in the access to medical care for almost 30 percent of the respondents.

When probed further, members participating in the group discussions suggested that though there were quality issues in seeking medical treatment from Government-run hospitals, it was not possible for them to go to the private doctors, because of their changed employment status.

For the households in the sample, where the workers have taken up alternate regular jobs or additional work, there was no change in those seeking medical treatment as compared to the situation prior to the advent of the crisis. However, while 27.2 percent of respondents reported that there was no change in seeking medical treatment; in case of 63.2 percent of the respondents in the sample, the medical expenses have increased from between Rs. 300 to Rs. 400 per month, in the pre October 2008 period; to between Rs. 500 to Rs. 700 per month, in the post October 2008 period. This was due to an increase in instances of depression and physio-psychological disorders (see Table 3.18).

About 52 percent of households in the sample either planned to migrate or have migrated, to different parts in the same city (possibly to cheaper locations and closer to new work places), or to different cities or villages. There was also some reference made to reverse migration, during the FGDs, though no data was available as to the number of people who have returned to their original places of residence. It was difficult to get data, as the period assigned for data gathering coincided with the harvest period, in some states. For 42.40 percent of the respondents, there was no change either in the location or the type of housing that they have been staying in. About two percent of the households reported that there was some impact on the payment of rent. However, as stated earlier, a majority of the respondents were either migrating or relocating to different places, depending on the availability of jobs.

Impact on Family Income: Issues relating to Women and Children

In the changed scenario, when the household income has dipped, boys and girls have taken up the responsibility of supplementing the loss of the family income by undertaking odd jobs, either in local roadside restaurants or as domestic help in the nearby localities, on full-time or part-time basis (Figure 3.2). A significant finding was that in 85.6 percent of households, there was no change in the circumstances of the children or elderly people at home, as they did not have to work to supplement family incomes. Though, what warrants attention is the fact that 4.8 percent of the children and 12.8 percent elderly people in the sample households, had taken up odd jobs to supplement family income.

Inclusion of Children and the Elderly in the Workforce, After Crisis				
	SC/ST	OBC	Other	All (%)
Children Have Started Work	2 (3.4)	3 (7.1)	1 (4.2)	6 (4.8)
Non-working Elderly Men Have Started Work	8 (13.6)	5 (11.9)	3 (12.5)	16 (12.8)
No Change	51 (86.4)	36 (85.7)	20 (83.3)	107 (85.6)
Total Respondents	59	42	24	125

Percentage figures in parenthesis.

Percentages may not add to 100 because of multiple responses

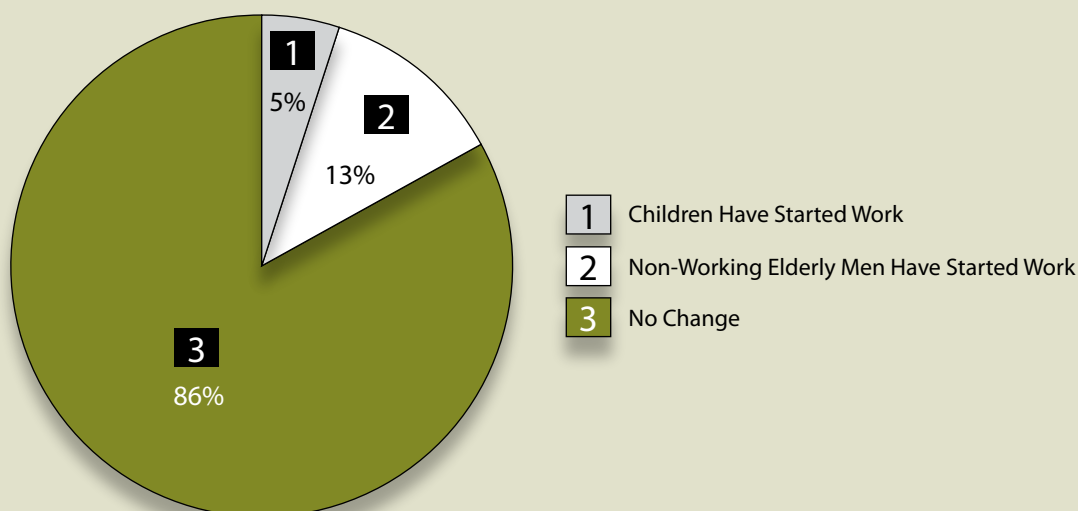


Figure 3.2: Inclusion of Children and the Elderly in the Workforce

As regards supplementing the loss of the family income, another major impact of the economic crisis was that 21.6 percent of non-working women from the sample households had taken up full or part-time jobs, either working as domestic help in locations nearby, or had started selling vegetables from their homes.

While, women engaged in odd jobs to bring in more money to the households, domestic chores often continued to remain their responsibility. Although, for 73.6 percent of the women, there was no significant change in the number of hours devoted to domestic work, 20.8 percent of the respondents in the sample reported that their responsibilities have increased, as they have taken up part-time or full-time work, to augment family income.

About 58 percent of households in the sample reported episodes of domestic conflict, while 27 percent reported domestic violence, owing largely to a decrease,

owing largely to a decrease in the income level of families. In these households, the occurrence of family tension was primarily due to increased drinking by men. It is uncertain if these family tensions and conflicts have increased or remained the same after October 2008. However, there were reports and studies from other industrial cities, where family conflicts and tensions due to laying off the workers were common, and even domestic violence, was a regular phenomenon (see Table 3.20).

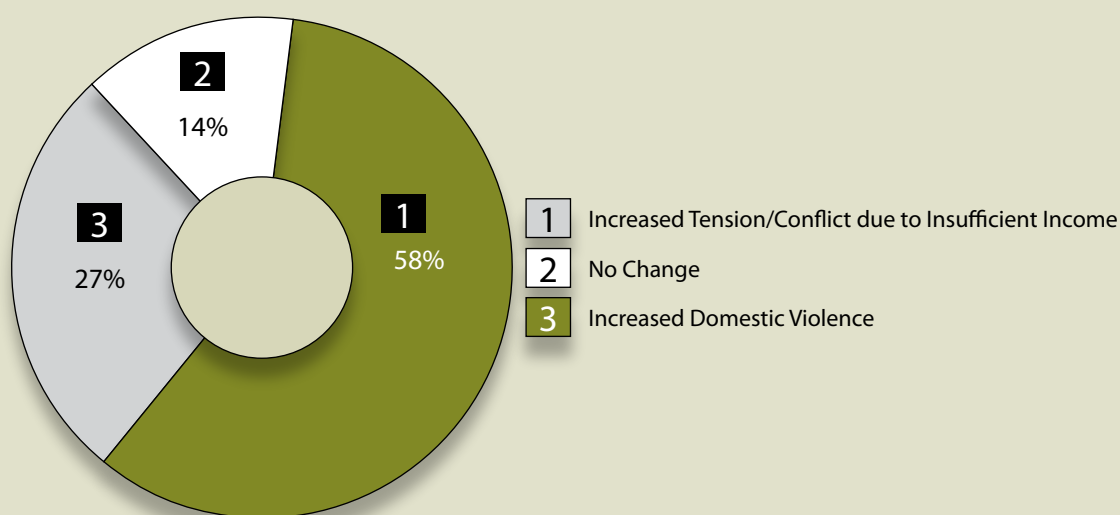


Figure 3.3: Change in Domestic Violence/Tension after Crisis

TWO JOBS AND HOUSEWORK – ALL IN A DAY’S WORK

Nirmala Devi from Gorakhpur has taken up two jobs (in addition to her usual household chores), since her husband was terminated from his job in January, after a brief illness. She works as a sweeper in a factory in the morning. She has to report at 7am in the morning and works till 12 noon. Then she rushes to a household in a nearby locality, to work as a maid. Her ‘professional day’ ends only at 7pm in the evening. The total earnings, from both the sources, are Rs. 3,500 per month. Her husband has not found another job, nor has he found daily-wage employment. He has also not recovered from his illness completely. The two sons no longer go to school, but a teacher in the neighbourhood is giving them private tuitions, at a very nominal cost. Nirmala Devi wants the family to shift back to Gorakhpur, and is waiting for the day when this will happen, but her husband does not want to move back.

Smoking and drinking has increased in case of 24 households (19.2 percent of the households in sample). In 75 households, it has come down, as there is not enough money to spend on smoking and drinking, after meeting household expenses. The majority of respondents (75.2 percent) reported no change in the situation.

The data in Table 3.22 shows that there was a certain degree of anxiety in the labour force (86.4 percent of the respondents reported that they were depressed) regarding the present economic downturn. These anxieties have led to increased incidence of depression among the respondents. This depression can also be read as a psychosomatic disorder, common during phases of hopelessness and dejectedness. There was fear due to uncertainty among the workers, attributed to the rapid changes that are taking place in the work environment. There was no perceptible change in the availability of transport to reach the factory or place of work for almost 58.4 percent of the respondents in the sample, as most of them stayed in the vicinity of their work-places. However, 33.6 percent of the respondents have started walking to their place of work and 2.4 percent of respondents have shifted from private to public transport (see Table 3.23).

LOSS OF JOB CAUSES ANXIETY AND STRESS

Chhote Lal (50 years) is from Gorakhpur. His brother, Mannu (36 years) used to work as permanent employee for a renowned auto parts manufacturing company, for the last ten years. Chhote Lal has been out of a job, since November 2008, while Mannu lost his job in January 2009. Mannu lost his son a while ago, due to a sudden illness, and since then has lost his mental balance too. Chhote Lal has sold half an acre of land back home to set up a small provision shop, so that he can support the family of five, including his brother's family. Mannu's wife does odd jobs to supplement the family income. Chhote Lal's wife is bed-ridden. The family finds it hard to meet their expenses and have the added burden of medical expenses. However, Chhote Lal is hopeful that things will be better in the future.

Coping Strategies: The Issue of Survival

Dis-saving is an important coping strategy used by a number of people. About 55 percent of households in the sample, had already started liquidating their savings to compensate for the decrease in their regular income. However, pawning of assets such as gold or silver jewellery or land and other household assets, etc. was reported only by 15 percent of the respondents.

As against pawning, more instances of selling these assets were reported (26 percent). The group discussion data reveals that households were in no position to get their assets back, after pawning, and the rate offered was also low, as compared to selling of assets. Hence, selling was the preferred option, as compared to pawning of assets or jewellery (see Table 3.24).

The figures reveal that friends and relatives (41 percent) were the major source from whom the affected people have been able to seek loans, to take care of the immediate consumption needs, or for seeking medical treatment or starting their

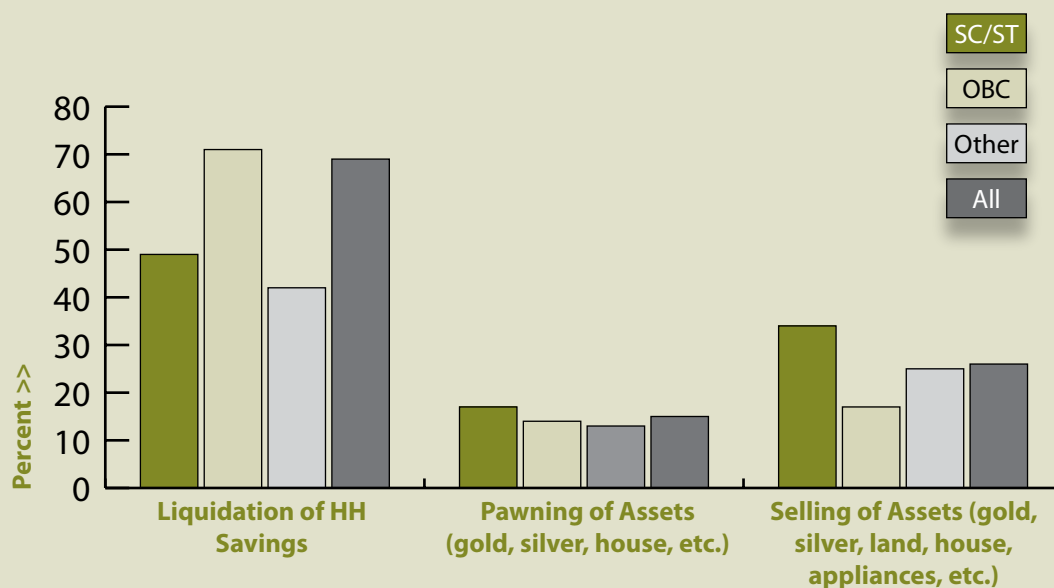


Figure 3.4: Nature of Dis-savings

own small home based businesses. In a majority of the cases, the loan was taken just to support the family, as there was no saving left. In case of 12 percent of the respondents, their employers – previous or present – lent them some money to take care of contingencies at home or in the family. However, 21 percent of the people had not received any loan – either from the Government or from any other source.

It is clear that the majority of the respondents have not received any type of help – either from the Government, or from Industry Associations such as Tractor Parts Manufacturers' Association, Tractor Parts Manufacturers' and Traders' Association,

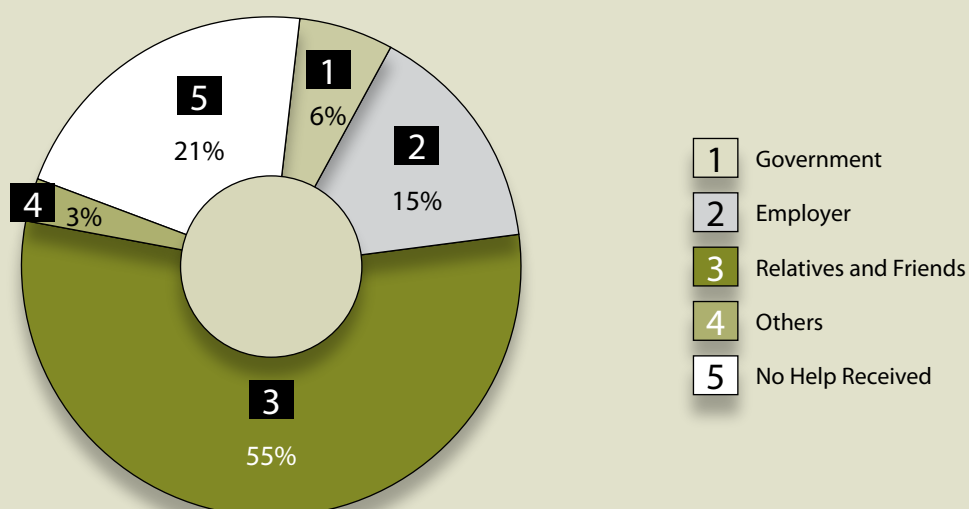


Figure 3.5: Loan Received from Different Sources

Auto Parts Manufacturers' Association and Chamber of Industrial and Commercial Undertakings (CICU). A few of the respondents in the sample, who had approached the respective Industry Association through their employers, did receive intimation about other jobs or some amount of skill-upgradation training. Relatives and friends emerged as a major source of information in locating other jobs/work.

As regards coping strategies, adopted by the respondents or their neighbours, (Table 3.26) in such difficult times, opting to work with lower salaries or inferior packages, or under changed working conditions appears to be the easiest option. A few of the respondents were open to the idea of migration. As corroborated through the group discussions, it was clear that once the families had decided not to migrate back, they engaged in any odd job, in order to survive. However, 17 percent of respondents had not thought about any coping mechanism that they could use in such crisis- like situations.

In response to the question as to how others have been coping, the people spoke of mortgaging or selling of property, or even small-time thefts in nearby localities. Nearly 70 percent of the respondents were reluctant to share any further details or deliberate on their predicament any longer. Everybody was hopeful that the situation would improve and not deteriorate further.

Some Observations on the Impact

In the wake of the crisis that has been witnessed by the respondents in the sample, various strategies were proposed to cope with the situation. These included adopting expenditure-minimizing strategies including changing dietary habits, cutting down purchases of non-essential goods, and income-enhancing strategies, such as sending children and women to work and doing more than one job. Corrections in the strategies have been adopted with priority being given to those which have low long run costs and 'entail easily reversible actions' (D'Souza, 2001). For instance, as has been shown in other studies, those who have a large proportion of their consumption expenditure accounted for by food adjust to this by changing their food consumption pattern (D'Souza, 2001). Consumption rationing in this case is achieved by diversifying food consumption - forgoing income elastic components of food expenditures, such as expenditure on meat or fish, or compensating by consuming coarse cereals. Apart from the composition of food, absolute food consumption may also be reduced, when the shock is large, by having fewer meals per day, as well as by smaller servings of food.

The data shows that apart from the composition of food, absolute food consumption has also reduced, by people having fewer meals every day. Households were seen to be adjusting through strategies that involved drawing from their savings and even selling assets.

4. THE GLOBAL MELTDOWN AND FIRMS

This section analyses the situation in the firms (tiny/micro, SSI (registered), small, medium and large industries) during the global melt down. The information has been collected from interviews with members and representatives of Industry Chambers and the Associations, as well as from the FGDs and has been integrated with the overall findings to supplement the analysis of data.

Global Meltdown and the Auto Parts Industry: Impact on Firms

As stated in the methodology, 31 entrepreneurs were interviewed to collect data regarding the impact of the meltdown on the firms, using a structured schedule. Of the total sample of 31, tiny/micro producers constitute 35.5 percent, SSI (registered) constitutes 45 percent and the rest of the units are medium and large industries (the two categories have been taken together). These firms were also classified according to the sub sectors they cater to, within manufacturing. The distribution of the sample shows that 35 percent of the firms were involved in both manufacturing and exports, whereas the remaining 65 percent of firms were equally distributed between producers of ancillary products and those involved in job work.

About 84 percent of the firms reported that there was deterioration in their income. This percentage was highest for the tiny and micro industries (91 percent), closely followed by the SSI registered small firms (86 percent). The medium or large units were comparatively better off, with only 66.6 percent reporting any deterioration, though this is a matter of concern in itself, as the medium and large industries, were exporters of OEM, and are expected to be more severely affected by the financial crisis. One possible explanation could be that the medium and large firms have the capacity to diversify into other industrial products, rather than being restricted to manufacturing of auto or tractor parts alone. This was possible as they had the technology and the competency to mould the existing machineries for manufacturing products for diverse categories of industries. The small/ micro and tiny sized firms lacked such capacities, resources and skilled / semi-skilled labour, and have therefore suffered greater losses.

The piling of stocks has been a critical issue encountered by both the SSI (registered), and the medium and large industries. This impact was less on micro/tiny producers because of a number of reasons. First, the medium and large industries suffered as the demand for export decreased substantially, and most of these industries were OEM as well as exporters. Second, the fluctuations in the steel prices, (which went up to as much as Rs. 50,000 – Rs. 55,000 per quintal (100 kgs) during October – December 2008) was another factor. Most firms, which could afford to purchase raw materials at that price did so, and then priced their products at higher rates. However, after a few

months, steel prices came down and settled in the Rs. 30,000 to Rs. 32,000 range, per quintal. Then the firms were not able to sell the products at the initial prices. The firms had piled up large stocks and also incurred huge financial losses.

As regards the micro/tiny industries and some of the small industries, the stocks did not pile up; as they sold off the products at a cheaper price or supplied their products to Indian manufacturers, where delivery was accepted promptly. For nearly 19 percent of the industries, the piling of stock was not an issue, as they undertook job work on a piece rate basis.

Availability of credit – from banks, from markets and from suppliers – has been one of the concerns of these firms. However, as the data suggests for 36 percent of the firms, credit was easily available from banks. They were facing other problems, as the suppliers of the raw materials had stopped supplying on credit and the payments were delayed from the buyers. However, to cope with the situation, they have reduced the quantum of production.

The data gives a composite picture of the status of the firms against various indicators so as to measure the impact. For 81 percent of the firms, demand for auto part products had decreased, the maximum impact was felt by the medium and large sized firms (which also constitute a large segment of the exporters) due to fall in the exports of OEM. The decline in demand for the output of these firms had an impact on the supply-chain and was felt by 82 percent of the micro/tiny firms and 79 percent of the small firms.

The issue of demand and sale of the auto-part products is closely connected with fluctuating trends (since November – December 2008) in the prices of raw materials. Due to these fluctuations in steel prices and other raw material such as scrap steel, the prices of manufactured auto parts declined by as much as 50 to 60 percent, for 77 percent of the firms. The maximum impact was felt by the micro/tiny sector followed by the small industries. Losses in the medium and large sectors have been comparatively lower, as they have been able to diversify their business by manufacturing products for other industries as well. The decline in demand has impacted the labour force adversely.

More than a fourth of the firms (26 percent) felt that if the financial health of the business did not improve, they would have to close down their units, the highest proportion of such firms were from the micro / tiny sector (91 percent). The rest of the firms said that they will continue to operate, wait for the industry to look up, and if necessary, diversify the production line. Roughly 45 percent of firms were not keen to discuss the future course of action and said they would follow a 'wait and watch policy' in their units.

However, 57 percent of the firms in the small sector said that the number of products that they manufactured has come down compared to the past. Now they were concentrating more on their core competencies and trying to keep afloat. The

explanation offered related to increasing competition among the manufacturers for providing services at cheaper prices. The veracity of such information could not be checked, as there was no secondary data available on the change in the number of units over a period of time. Hence, in the present time, when there was less demand from the market, and more from the providers, the decrease in the number of products was implicit (Table 4.10).

Availability of raw material – steel or the scrap used in the foundry units – did not emerge as a major concern, but, as has been stated earlier, the fluctuation in prices of the raw material was an issue. There were some deliberations about putting in place a quota for the industries, primarily for the medium and large segments, or at least regulating and reining the fluctuation in the steel prices to discourage black-marketers and whole-sale suppliers of raw steel. The issue of the availability of the raw material has several other dimensions. The first is the availability of raw material from the source. Most of the industrial supply of steel to Punjab comes from one or two of the seven steel manufacturers, located at quite a distance from Punjab, mostly in the southern states; as such the high freight charges and excise duties had led to escalating costs already. The second dimension is the question of local suppliers, who have formed a cartel and vehemently resist any efforts at the stabilization of steel prices. These lobbies prefer to determine sale prices of the raw steel in local markets, as per the vacillating and wavering trends in the global markets. These fluctuations have become more frequent, as some of the large steel producers are facing a production crunch locally, as well as, globally. In addition, there is some concern with regard to the cheaper steel, which is available from China, which is cost effective but the quality is an issue.

The data from the survey also presents the availability of human resources, both skilled and semi-skilled, in the firms. The issue of availability of labour has to be seen from multiple angles. There has been always a labour shortage in the industries in Punjab, albeit earlier it was more seasonal. During harvest and festival times, there has usually been a shortage of labour. In the last few years, due to the setting up of industrial hubs in states such as Jharkhand, Uttar Pradesh (UP), Himachal Pradesh and Uttarakhand – the major catchments for labour supply – the majority of the labour force, especially the skilled and semi-skilled labour, has opted to remain closer home, than to shift to the auto parts industry, in Punjab. There is limited availability of a similar set of skilled / semi-skilled labour from Punjab itself, as much of the labour force is engaged in the agricultural sector, where the wage rates are better than in industry.

Related to the issue of differential wage rates is the fact that while the other states have revised their minimum wage rates and are paying more to the workers, Punjab has not been able to revise its minimum wage for industries substantially, especially in the SSI sector. The minimum wages in agriculture are not only higher than in industry but are also revised from time to time. The wage rates in Punjab are

higher in the agriculture sector than in the industry sector, as the productivity in the agriculture sector is high and the supply of labour in the sector is inadequate³.

Another significant development which has a direct bearing on industrial production (especially in the auto parts industry) in Punjab, as well as in other states, is the implementation of the various social security policies and measures, although these are being implemented only in the organized sector. Some of the benefits of social security policies pertaining to health or insurance are available only to the workers of the organized sector, and have not been extended to the unorganized sector as yet, although these are meant for both organized as well as unorganized sectors. A large part of auto parts industry is in the unorganized sector, and the workers in these units are devoid of any such benefits. However, such schemes are benefiting agricultural labour, and hence, impact the labour force available for employment in industry.

As far as unskilled or semi-skilled labour is concerned, implementation of progressive policies such as National Rural Employment Guarantee Scheme (NREGS) has also meant a decline in the migration of labour to Punjab. As a result, the Punjab auto parts industry in particular and other industries in general, are facing a severe shortage of skilled and semi-skilled labour.

An analysis of the figures on production and sales, reveals that by and large the quantum of production, as well as sales have decreased in the auto parts industry, as there has been a decrease in the demand itself. This decrease in production and sales can be seen across the various types of firms. The declines are the highest for the small scale industries (64 percent) followed by the large and medium industries. However, in case of the latter, where the production chain is very much dependent on the workforce, the dearth of skilled as well as semi-skilled labour, together with the decline in demand of products, has aggravated the situation.

The data presented clearly reflects that majority of the units (30 out of 31) have not received any assistance – financial help or for technological up-gradation/market linkages, from the Government or from the Industrial Associations. In the sample of 31 units, only one unit, was found to have received some benefits from the industry association, in terms of technical know-how for diversification. At this point, it is worth mentioning the efforts to facilitate industrial growth and development through the cluster development approach, albeit with limited support from the industry associations. During the discussion, researchers discovered that there was a lack of willingness among some of the industry leaders to promote the cluster approach for the benefit of the tiny/micro or smaller producers (see Table 4.11).

The only support that the members received was the information regarding various industrial fairs all across the country. However, while the medium or big units could

3 Source: <http://pblabour.gov.in/pdf/statistics.pdf>

benefit from these, the smaller or the micro producers were left out because they could not afford to bear the cost of participation in such exhibitions.

The CICU, Ludhiana, through a Memorandum submitted to the political leadership in the state (17 January 2009), has urged the Government to extend financial help out of the unutilized funds kept for the industry by the Central Government, by properly distributing / utilizing the same to remove the financial crunch faced by the industries. The industry is hoping that their request will be considered favourably.

5. SUGGESTIONS AND CONCLUDING REMARKS

A number of suggestions have come from both the firm owners and from the workers. While the firm owners want systemic changes to be made in the policies, the workers are more concerned about access to protection policies, should such a crisis re-occur in the future. The suggestions presented here are based on the discussions with the Chairpersons of various Industry Associations, officials of the CICU, respondents from various firms, groups of workers, etc.

- Government must play a pro-active role in checking the fluctuating price of raw materials, by regulating the market. Surcharges should be levied on the export of steel to regulate (and discourage) exports, so that the industries can be saved.
- The banks must be directed to provide easy credit access to small and medium enterprises. In the wake of the crisis, the banks have adopted stringent measures, as there is less confidence in the paying capacities of the enterprises. Banks must adopt a cooperative attitude towards the industries.
- The Industry Associations must provide real services⁴, particularly to the micro and small Industries, to protect them.
- There is a need for the creation of a cluster of industries, particularly for the micro and small industries, which will also facilitate networking among the various firms for bulk purchase of raw materials, inter-industry transfer of labour and check the growing competition among the industries. A proper governance mechanism in the cluster may resolve some of the issues that plague the auto parts industry at present.
- There is a need for skill up-gradation or skill formation of semi-skilled and unskilled workers, especially for contract or casual workers, which will improve

4 Real services means that the Associations must provide at least six most important services to the micro and small enterprises viz. facilitating financial support from the banks, timely procurement of raw materials and protection from fluctuations in raw material prices, facilitating market and trade linkages, promoting exposure in the market by facilitating participation in national and international trade exhibitions, protection from undesirable competition in the market, and facilitating the production process by providing infrastructure support.

the performance of the enterprises as well. The state government as well as the Industry Associations must take the steps required for this.

- It is also recommended that the policies regarding social security cover, such as *Aam Admi Bima Yojana*, Rajiv Gandhi Old-Age Pension Scheme, Group Pension Schemes, Unemployment Insurance Schemes, etc. be properly implemented and strictly monitored by state level agencies.
- The industries should facilitate easy access to bank loans for the workers, so that they can take care of their contingency needs.

These suggestions would necessitate the implementation of some of the progressive recommendations that have been put forward in the three major Reports that have been submitted by the National Commission for Enterprises in the Unorganized Sector (NCEUS), under the Chairpersonship of Dr. Arjun Sengupta, to the Government of India. These include the Report on the Social Security for the Unorganized Workers (May 2006), Report on the Conditions of Work and Promotion of Livelihoods in the Unorganized Sector (August 2007), Report on Financing of Enterprises in the Unorganized Sector and the Creation of a National Fund for the Unorganized Sector (NAFUS) (November 2007).

Concluding Remarks

The study brings out the concerns of the Industry owners as well as the workers. Some of the concerns, such as the demand that the residential areas (from where a number of unregistered micro/tiny units operate) should be converted to industrial areas, issues of VAT, freight charges, erratic power supply, etc. are of long standing nature and have no immediate relevance to the present crisis. What appears critical is the status of the small and micro industries, which are suppliers to the major export industries.

The crisis, as it appears, is due to the dip in demand from the international importers, due to various factors. At the same time, there has been a growth in the Indian auto sector. It seems prudent at this point to suggest that if the industries realign themselves with the Indian auto sector rather than looking at the export markets alone, there could be a positive turnaround in the sector.

The issues related to export policies, particularly with reference to steel and the setting up of a regulatory authority to check price fluctuations may be envisaged at this point of time. This could be a viable mechanism to arrest the enormous losses the industry has suffered, as monitoring and controlling the extreme fluctuations in the prices would ensure supply of raw material on a sustained basis to domestic producers.

There seems to be a contradiction in the unemployment rates and the demand for labour. It is a fact that industrial hubs that have been promoted in the other states are certainly attracting labour which earlier came to Punjab; as such there is a decline in the inflow of 'migrant' labour. Therefore, mechanisms need to be created

for promotion of locally available labour, by imparting skill training and providing salaries which are at par with those prevailing in other states.

The concerns of the workers also need to be addressed. General issues pertain to the conditions of work, or low wages for extended working hours, lack of essential facilities especially in the unorganized sector; these issues have also been there for some time. Specific issues, such as extension of social security measures, security of services to the workers, availability of financial support and loans for workers have become more imperative after the recent crisis and need to be tackled immediately.

The auto parts industry has been passing through difficult times. However, even during the crisis, the sale of automobiles in the domestic market declined only marginally (see Appendix II). The leaders from the industry maintain that the Indian auto component industry is one of India's sunrise industries, with tremendous growth prospects; and they are hopeful that it will be back on the road soon.

APPENDIX I

Table 3.1 Profile of Respondents and their Family Members

Respondents		Family Members			
Social Group	Number (%)*	Education	Distribution by Gender		
			Males (%)	Females (%)	All (%)
SC	56 (48.0)				
ST	3 (2.4)	Not Applicable (Below 5 yrs)	3.46	5.04	4.20
OBC	42 (33.6)	Illiterate	19.38	27.91	23.40
Others	24 (19.2)	I to V Std	32.87	26.74	29.98
Family Type		VI to X Std	34.26	33.33	33.82
Joint	13 (10.4)	Higher Secondary	3.81	3.49	3.66
Nuclear	89 (74.2)	College/ Graduate/ Masters degree	1.73	2.33	2.01
Living Alone	23 (18.4)	Formal Technical Education Degree	1.04	0.78	0.91
Religion		Formal Technical Education, ITI Certificate	3.46	0.39	2.01
Hindu	60 (48.0)	Total	289	258	547
Muslim	9 (7.2)				
Christian	6 (4.8)				
Others	50 (40.0)				
Gender					
Male	118				
Female	7				
Type of House					
Kutcha	19 (15.2)				
Semi-Pucca	20 (16.0)				
Pucca	86 (68.8)				
Ownership of House					
Own	78 (62.4)				
Rented	47 (37.6)				

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table No. 3.2 Distribution of Respondents by Age and Gender*

Age group	Males	Female	All
15-24	16 (94.1)	1 (5.9)	17
25-34	13 (92.9)	1 (7.1)	14
35-44	39 (90.7)	4 (9.3)	43
45-54	34 (97.1)	1 (2.9)	35
55-64	15 (100)	--	15
65+	1 (100)	--	1
Total	118 (94.4)	7 (5.6)	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table No. 3.3 Impact and Consequences of the Meltdown on Worker's and Income

Income Group Before	Income Reduced After October 2008 (in %)	Income Unchanged After October 2008 (in %)	Income Increased After October 2008 (in %)	Total Number
< 999	–	100	–	9
1000-1999	53.3	40.0	6.7	30
2000-2999	82.1	17.9	–	28
3000-3999	90.2	2.4	7.3	41
4000-4999	92.3	7.7	–	39
5000+	100	–	–	34
All	80.7	16.6	2.8	181*

Source: Sample Survey in Ludhiana

* Responses are more than 119, due to multiple responses

Table No. 3.4 Change in Work Profile After Crisis

Skilled Workers Shifted to Semi-skilled Work	3.1%
Semi-skilled Workers Shifted to Unskilled Work	20.9%

Source: Sample Survey in Ludhiana

Table 3.5 Impact on Income Levels Before and After the Crisis for all Workers (Social Category - Households)

Social Group	Income Reduced	Income Unchanged	Income Increased	Total Number
SC/ST	69 (82.1)	13 (15.5)	2 (2.4)	84
OBC	49 (87.5)	7 (12.5)	--	56
Other	28 (68.3)	10 (24.4)	3 (7.3)	41
All	146 (80.7)	30 (16.6)	5 (2.8)	181

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.6 Profile of Respondents by Gender and Education

	Illiterate (%)	I - V Std (%)	VI -X Std (%)	Higher Secondary (%)	Formal Technical Education Degree (%)	Formal Technical Education ITI, Certificate (%)	Total Number
Male	20.3	26.3	41.5	5.9	2.5	3.4	118
Female	42.9	57.1	--	--	--	--	7
Total	21.6	28.0	39.2	5.6	2.4	3.2	125

Source: Sample Survey in Ludhiana

Table 3.7 Employment Status before (row) and after (col) crisis*

	Own Account	Regular Worker	Casual Worker	Contract Worker	Unemployed	Total
Own Account	27(90.0)	–	1 (3.0)	–	2(7.0)	30
Regular Worker	1 (4.0)	42(60.0)	15(21.0)	8(12.0)	4(6.0)	70
Casual Worker	–	–	9(100)	–	–	9
Contract Worker	–	–	1(6.0)	15 (94.0)	–	16

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.8 Change in Employment Status After Crisis (by social category)*

	Regular to Contract	Regular to Casual	Same as Before but Income Reduced**	Unemployed at Present	Other	Total
SC/ST	5 (9)	5(9)	46 (78)	1 (2)	2 (3)	59
OBC	2 (5)	8 (19)	29(69)	2 (5)	1 (2)	42
Other	1 (4)	2 (8)	18 (75)	3 (13)	–	24
All	8 (6)	15(12)	93(74)	6(5)	3(2)	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

* **Terms of work have changed despite employment status remaining the same

Table 3.9 How were you Affected and Why?*

Impact	Reasons			
	Unit Closed down	Downsizing of the unit	Any Other (*)	Number
Lost Job and not yet Employed	1(17)	5(83)		6
Lost Job and found Job Elsewhere	13 (19)	49 (71)	7(10)	69

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

*New terms were not acceptable hence joined elsewhere

Table 3.10: Details regarding Retrenchment*

	Notice Period		Received dues		Retrenchment Compensation Received	
	1 Month	No notice	Yes	No	Yes	No
Lost Job and Continue to be Unemployed	–	6(100)	2(33)	4(67)	–	6(100)
Lost Job and Joined Elsewhere	–	69(100)	36(52)	33(48)	1	68(99)

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

**Table 3.11 Consequences of Loss of Work and Livelihood
(by social category, in %)**

	SC/ST	OBC	Other	All
Unemployed at Present	2	5	13	5
Undertook Another Work in the Same or Related Sector	54	60	50	55
Shifted to Another Sector / Work	3	2	4	3
Shifted from Skilled/Semi-skilled to Unskilled Work	7	10	8	8
Change in Employment Status				
1. (Regular to Contract / Temporary etc.)	23	25	31	26
2. Status Same but Earnings Reduced*	78	69	75	74
Longer Distance and Higher Cost of Travel	5	--	13	5
Had to Change Accommodation	--	7	--	2
Total Respondents	59	42	24	125**

Source: Sample Survey in Ludhiana

* Terms of employment have changed substantially

** The figures in the column do not add upto 125 due to multiple responses

Table 3.12 Impact on Children's Education After Crisis*

Boys Dropped Out	4 (3.2)
Girls Dropped Out	4 (3.2)
Boys Shifted to Govt. Schools	22 (17.6)
Girls Shifted to Govt. Schools	19 (15.2)
Took Loan for Education	13 (10.4)
Have not Paid Fees	7 (5.6)
No Change	71 (56.8)
Total Respondents	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.13 Impact on Food Habits and Intake*

Stopped / Reduced Eating Non-veg.	11 (9.0)
Stopped Eating outside	23 (19.0)
Stopped Taking Breakfast	3 (2.0)
Stopped / Reduced Eating Veg./ Milk, etc.	23 (19.0)
Skip One Meal	21(17.0)
No Change	58 (47.0)
Total Respondents	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.14 Access to Medical Care After Crisis*

Shifted to Public /Government Facility	32 (25.6)
Stopped / Reduced Treatment	13 (10.4)
Medical Care Given at Home	45 (36.0)
No Change	37 (29.6)
Total Responses	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.15 Change in Economic Participation of Women*

Non-working Women Joined Part Time Work	27 (21.6)
Non-working Women Joined Full Time Work	5 (4.0)
No Change	93 (74.4)
Total Respondents	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.16 Status of Housing After Crisis*

	SC/ST	OBC	Other	All
Shifted to House with Lower Rent	0.0	5 (11.9)	0.0	5 (4.0)
Have not Paid Rent	0.0	0.0	2 (8.3)	2 (1.6)
Planning to Migrate	32 (54.2)	20 (47.6)	13 (54.2)	65 (52.0)
No Change	27 (45.8)	17 (40.5)	9 (37.5)	53 (42.4)
Total Respondents	59	42	24	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.17 Changing Pattern of Remittances

People Sending Remittances before the Crisis	26
People Sending Remittances after the Crisis	7
People who did not Send Remittances before or after	92

Source: Sample Survey in Ludhiana

Table 3.18 Change in Medical Expenditure After Crisis*

	SC/ST	OBC	Other	All
Reduced	7 (11.9)	3 (7.1)	2 (8.3)	12 (9.6)
Increased	35 (59.3)	32 (76.2)	12 (50.0)	79 (63.2)
No Change	17 (28.8)	7 (16.7)	10 (41.7)	34 (27.2)
Total Respondents	59	42	24	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.19 Change in Domestic Work of Women After Crisis*

	SC/ST	OBC	Other	All
Increase in Domestic Work	6 (10.2)	5 (11.9)	4 (16.7)	15 (12.0)
Decrease in Domestic Work	4 (6.8)	1 (2.4)	2 (8.3)	7 (5.6)
Decrease in Domestic Work due to Economic Participation	4 (6.8)	6 (14.3)	1 (4.2)	11 (8.8)
No Change	45 (76.3)	30 (71.4)	17 (70.8)	92 (73.6)
Total Respondents	59	42	24	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.20 Change in Domestic Voilence/Tension After Crisis*

	SC/ST	OBC	Other	All %
Increased Tension/Conflict as Income is not Enough	34 (57.6)	30 (71.4)	9 (37.5)	73 (58.4)
Increased Domestic Violence	15 (25.4)	9 (21.4)	10 (41.7)	34 (27.2)
No Change	10 (16.9)	3 (7.1)	5 (20.8)	18 (14.4)
Total Respondents	59	42	24	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.21 Change in Spending on Smoking /Drinking After Crisis*

	SC/ST	OBC	Other	All
Increased Spending on Smoking/Drinking	7 (11.9)	14 (33.3)	3 (12.5)	24 (19.2)
Decreased Spending on Smoking/Drinking	1 (1.7)	2 (4.8)	4 (16.7)	7 (5.6)
No Change	51 (86.4)	26 (61.9)	17 (70.8)	94 (75.2)
Total Respondents	59	42	24	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.22 Instances of Depression After Crisis*

	SC/ST	OBC	Other	All
Yes	55 (93.2)	38 (90.5)	15 (62.5)	108 (86.4)
No	4 (6.8)	4 (9.5)	9 (37.5)	17 (13.6)
Total Respondents	59	42	24	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.23 Change in Mode of Transport After Crisis*

	SC/ST	OBC	Other	All
Longer Distance to Cover	3 (5.1)	2 (4.8)	2 (8.3)	7 (5.6)
Shifted to Public Transport	1 (1.7)	1 (2.4)	1 (4.2)	3 (2.4)
Started Walking to Destinations	24 (40.7)	13 (31.0)	5 (20.8)	42 (33.6)
No Change	31 (52.5)	26 (61.9)	16 (66.7)	73 (58.4)
Total Responses	59	42	24	125

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.24 Nature of Dis-savings*

	Responding Yes				Average Amount (Rs.)		
	SC/ST	OBC	Other	All	SC/ST	OBC	Other
Liquidation of Household Savings	29 (49.0)	30 (71.0)	10 (42.0)	69 (55.0)	851	470	532
Pawning of Assets (Gold, Silver, House, etc.)	10 (17.0)	6 (14.0)	3 (13.0)	19 (15.0)	30,270	44,000	35,166
Selling of Assets (Gold, Silver, Land, House, Appliances, etc.)	20 (34.0)	7 (17.0)	6 (25.0)	33 (26.0)	29,795	26,062	38,600

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Table 3.25 Help Received For Work /Employment After Crisis*

Nature of help	Govt.	Employers	Industry Associations, etc.	Relatives & friends	NGOs, etc	Trade unions / workers groups	No Help received
Information about other job / work	–	15 (12.0)	15 (12.0)	46 (34.0)	–	6 (5.0)	58 (46.0)
Assistance in finding work	–	–	–	–	–	–	125 (100)
Training	–	–	10(8.0)	9(7.0)	–	–	116 (93.0)
Promise to employ back	–	–	2(2.0)	–	–	–	123(98.0)
Total	–	15	27	55	–	6	

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Percentages may not add to 100 because of multiple responses

Table 3.26 Coping strategies*

Self	
Planning Migration	18 (14.4)
Working With Low Pay / Inferior Job, Changed Terms	93 (74.4)
Sold Jewellery	13 (10.4)
Using Savings	7 (5.6)
Borrowing	41 (32.8)
Don't Know How to Manage	21 (16.8)
Others	
Commit Suicide	5 (4.00)
Mortgage/ Sold jewellery, Vehicles etc.	28 (22.40)

Theft cases	18 (14.40)
Rented House/ Hired Tenant	5 (4.00)
Don't Know	85 (68.00)

Source: Sample Survey in Ludhiana

* Percentage figures in parenthesis

Percentages may not add to 100 because of multiple responses

Table 4.1 Type of Firm and Product or Description of Business

Type of Firm	Job Work Auto or Tractor Parts	Manufacturers of Auto or Tractor Parts	Manufacturers and Exporters Auto or Tractor Parts	Total
Micro/Tiny	6 (54.5) 60.0%	5 (45.5) 50.0%		11 (100) 35.5%
SSI Registered	4 (28.6) 40.0%	5 (35.7) 50.0%	5 (35.7) 42.5%	14 (100) 45.2%
Medium and Large			6 (100) 54.5%	6 (100) 19.3%
Total	10 (32.3)	10 (32.3)	11 (35.4)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.2 Status of the Firms after the Meltdown

Type of Firm	Business Deterio- rated	Credit Not Available or Avail- able with Difficulty	Demand for Prod- ucts De- creased	Decline in Income	Business Gone Down	Difficulty in Raw Material Availabil- ity
Micro/Tiny	10 (91)	5 (47)	9 (82)	10 (91.0)	--	5 (45.5)
SSI Registered	12 (86)	7 (51)	11 (79)	12 (85.7)	4 (28.6)	5 (35.7)
Medium/Large	4 (67)	--	5 (83)	4 (66.6)	4 (66.6)	1 (16.6)
Total	26 (84)	12 (39)	25 (81)	26 (84.0)	8 (25.8)	11 (35.5)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.3 Change in Business After Crisis

Type of Firm	Improved	Deteriorated	Unchanged	Total
Micro/Tiny		10 (90.9)	1 (9.1)	11 (100)
SSI Registered		12 (85.7)	2 (14.3)	14 (100)
Medium/Large	1 (16.7)	4 (66.6)	1 (16.7)	6 (100)
Total	1 (3.2)	26 (83.9)	4 (12.9)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.4 Availability of Labour After Crisis

Type of Firm	Reduced Availability	No change	Total
Micro/Tiny	6 (54.5)	5 (45.5)	11 (100)
SSI Registered	7 (50.0)	7 (50.0)	14 (100)
Medium/Large	4 (66.6)	2 (33.4)	6 (100)
Total	17 (54.8)	14 (45.2)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.5 Change in Production and Sales Volume After Crisis

Type of Firm	Decreased Volume of Production	Decreased Volume of Sales
Micro/Tiny	7 (63.6)	5 (45.5)
SSI Registered	9 (64.3)	9 (64.3)
Medium/Large	3 (50.0)	3 (50.0)
Total	19 (61.3)	17 (54.8)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.6 Has your Business closed down?

Type of Firm	Yes	No	Total
Micro/Tiny	1 (9.1)	10 (90.9)	11 (100)
SSI Registered	1 (7.1)	13 (92.9)	14 (100)
Medium/Large		6 (100)	6 (100)
Total	2 (6.4)	29 (93.6)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.7 Status of Stock of Products After Crisis

Type of Firm	Piled Up	No Stocks	N A	Total
Micro/Tiny	1 (10.0)	6 (60.0)	4 (30.0)	11 (100)
SSI Registered	7 (58.3)	3 (25.0)	4 (16.7)	14 (100)
Medium/Large	3 (50.0)	1 (16.7)	2 (33.3)	6 (100)
Total	11 (42.3)	10 (38.5)	10 (19.2)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.8 Changes in Prices After Crisis

Type of Firm	Prices declined	No Change	Total
Micro/Tiny	9 (81.8)	2 (18.2)	11 (100)
SSI Registered	11 (78.5)	3 (21.5)	14 (100)
Medium/Large	4 (66.6)	2 (33.4)	6 (100)
Total	24 (77.4)	7 (22.6)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.9 Raw Material Availability After Crisis

Type of Firm	Easily Available	Available with Difficulty	No Change	Total
Micro/Tiny	1 (9.0)	5 (45.5)	5 (45.5)	11 (100)
SSI Registered	3 (21.4)	5 (35.7)	6 (42.9)	14 (100)
Medium/Large	3 (50.0)	1 (16.6)	2 (33.4)	6 (100)
Total	7 (22.6)	11 (35.5)	13 (41.9)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.10 Change in Number of Products Manufactured After Crisis

Type of Firm	Less no. of Products	No Change	Total
Micro/Tiny Units	3 (27.3)	8 (72.7)	11 (100)
SSI Registered	8 (57.1)	6 (42.9)	14 (100)
Medium/Large	1 (33.3)	5 (66.7)	6 (100)
Total	12 (38.7)	19 (61.3)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

Table 4.11 Status of Assistance Received from Government or Association After Crisis

Type of Firm	Reduction in No. of Products	Not Received	Total
Micro/Tiny Units	-	11 (100)	11 (100)
SSI Registered	-	14 (100)	14 (100)
Medium/Large	1 (16.66)	5 (83.33)	6 (100)
Total	1 (3.2)	30 (96.8)	31 (100)

Source: Sample Survey of Enterprises in Ludhiana

* Percentage figures in parenthesis

APPENDIX II

ACMA REPORT OF MOTOR VEHICLE PRODUCTION, SALES & EXPORTS (2009)

Category	Production			Domestic Sales			Sales (Domestic + Exports)			Exports		
Segment/Sub. seg.	Apr.-Jan.	Apr.-Jan.	% Gr.	Apr.-Jan.	Apr.-Jan.	% Gr.	Apr.-Jan.	Apr.-Jan.	% Gr.	Apr.-Jan.	Apr.-Jan.	% Gr.
	2007-08	2008-09		2007-08	2008-09		2007-08	2008-09		2007-08	2008-09	
Passenger Vehicles (PVs)												
Passenger cars	1,141,953	1,221,654	7.0	980,754	974,661	-0.6	1,147,613	1,246,660	8.6	166,859	271,999	63.0
UVs	199,357	173,376	-13.0	193,961	179,646	-7.4	199,080	182,385	-8.4	5,119	2,739	-46.5
MPVs	81,122	74,651	-8.0	82,023	87,214	6.3	82,830	88,150	6.4	807	936	16.0
Total PVs	1,422,432	1,469,681	3.3	1,256,738	1,241,521	-1.2	1,429,523	1,517,195	6.1	172,785	275,674	59.5
Commercial Vehicles (CVs), M&HCVs												
Passenger Carriers	37,977	33,748	-11.1	30,882	27,856	-9.8	38,505	34,270	-11.0	7,623	6,414	-15.9
Goods Carriers	194,249	129,522	-33.3	182,784	123,313	-32.5	192,550	131,248	-31.8	9,788	7,935	-18.9
Total M&HCVs	232,226	163,270	-29.7	213,646	151,169	-29.2	231,055	165,518	-28.4	17,409	14,343	17.6
LCVs												
Passenger Carriers	28,046	23,387	-16.6	22,413	21,275	-5.1	27,183	25,796	-5.1	4,770	4,521	-5.2
Goods Carriers	180,528	159,335	-11.7	152,235	138,839	-8.8	176,725	157,777	-10.7	24,490	18,938	-22.7
Total LCVs	208,574	182,722	-12.4	174,648	160,114	-8.3	203,908	183,573	-10.0	29,260	23,459	-19.8
Total CVs	440,800	345,992	-21.51	388,294	311,283	-19.83	434,963	349,091	-19.7	46,669	37,808	-18.99
III 3 Wheelers												
Passenger Carriers	310,516	350,028	12.7	194,213	218,135	12.3	311,634	347,973	11.7	117,421	129,838	10.6
Goods Carrier	113,082	70,225	-37.9	112,292	68,475	-39.0	112,942	69,554	-38.4	650	1,079	66.0
All 3 Wheelers	423,598	420,253	-0.8	306,505	286,610	-6.5	424,576	417,527	-1.7	118,071	130,917	10.9
IV Two Wheelers												
Scooters	905,871	967,882	6.8	883,831	958,265	8.4	905,288	979,773	8.2	21,455	21,508	0.2
Motorcycles	5,439,993	5,632,994	3.5	4,836,369	4,821,683	-0.3	5,462,394	5,656,001	3.5	626,025	834,318	33.3
Mopeds	354,984	353,914	-0.3	339,458	350,868	3.4	355,889	357,145	0.4	16,431	6,277	-61.8
Electric 2 Wheelers	15,076	20,566	36.4	15,887	21,988	38.4	15,887	22,028	38.7	0	40	0.0
Total 2 Wheelers	6,715,924	6,975,356	3.9	6,075,545	6,152,804	1.3	6,739,456	7,014,947	4.1	663,911	862,143	29.9
Tractors (Apr.-Nov.)	225,207	245,688	9.1				231,623	239,789	3.5			
Grand Total	9,002,754	9,211,282	2.3	8,027,082	7,992,218	-0.4	9,028,518	9,298,760	3.0	1,001,436	1,306,542	30.5

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Impact of the Financial Crisis on Workers and Firms in the Auto Parts Industry

The opening of the global market, post-liberalization has brought with it both challenges and opportunities for Indian industry. The Indian auto components industry is currently in the midst of a transition, from being low-quality, low-tech and heavily dependent on the domestic market to becoming a global industry, driven by quality, scheduled delivery and reliability. However, the liquidity crunch, the inventory pile up and the re-scheduling of export orders has taken the sheen off this sector. With the global meltdown, the sector is facing a crisis, plans have gone awry, making it imperative for firms to re-strategize, in a bid to cut costs and survive the crisis. This study is an attempt to understand the impact of the global meltdown on the auto parts industry, in Ludhiana. It examines the impact of the crisis on workers and small producers and draws inferences for intervention to address their problems.

This paper is part of a series of three studies undertaken with support from UNDP, to examine the impact of the global economic crisis on the poor. The papers in the series have been edited by Nandini Oberoi.

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