

Journal of Economics Bibliography

www.kspjournals.org

Volume 6

June 2019

Issue 2

Tom Barnes, *Making Cars in the New India: Industry, Precarity and Informality*, Cambridge University Press 2018, pp.261, \$ 44.99 Hardcover.

By Debashis CHAKRABORTY †

Abstract. With the ongoing process of industrial tariff reforms across the globe, several developing countries in recent period are eyeing manufacturing sector consolidation, propelled by multiple motives. On one hand, joining the ever-expanding international production networks (IPNs) and global value chains (GVCs) has come up as a major motivation. On the other hand, particularly for the densely populated nations, employment creation and skill formation in the local labour market emerged as an important policy objective. In both set of options, attracting foreign multinational corporations (MNCs) to invest at 'home' emerged as a crucial strategy. The MNCs can be attracted on one hand through a 'positive' approach, e.g., reforms in ease of doing business, presence of a vibrant production cluster, availability of key raw materials, efficiency of in and outbound logistics, trade agreements with other countries and export opportunities and so on. The 'negative' approach may involve a weaker environmental regulatory framework (Pollution Haven Hypothesis), compromise on labour standard etc.

Keywords. Industry, Precarity, Informality, Car industry, India.

JEL. F34, F43, F63, C01.

Book review

With the ongoing process of industrial tariff reforms across the globe, several developing countries in recent period are eyeing manufacturing sector consolidation, propelled by multiple motives. On one hand, joining the ever-expanding international production networks (IPNs) and global value chains (GVCs) has come up as a major motivation. On the other hand, particularly for the densely populated nations, employment creation and skill formation in the local labour market emerged as an important policy objective. In both set of options, attracting foreign multinational corporations (MNCs) to invest at 'home' emerged as a crucial strategy. The MNCs can be attracted on one hand through a 'positive' approach, e.g., reforms in ease of doing business, presence of a vibrant production cluster, availability of key raw materials, efficiency of in and outbound logistics, trade agreements with other countries and export opportunities and so on. The 'negative' approach may involve a weaker

† Indian Institute of Foreign Trade, New Delhi, India.

☎. +91 11 2696 6563

✉. debchakra@gmail.com

Journal of Economics Bibliography

environmental regulatory framework (Pollution Haven Hypothesis), compromise on labour standard etc.

India, a leading developing country, adopted economic liberalization policies since early nineties and inception of the WTO from mid-nineties onwards enhanced its integration with world economy further. The series of trade policy reforms enhanced the country's exports in general and compositional transition from medium-tech to hi-tech exports in particular. In addition, the investment reforms paved way for both greenfield and brownfield investments, resulting in technology and global managerial best practices spillover effects across foreign direct investment (FDI) recipient sectors. Moreover, the country entered into a number of regional trade agreements (RTAs), concentrated mostly in Asia, from 2005 onwards. While the changes in policy environment facilitated India's participation in IPNs and GVCs, the entry of many global MNCs in the country is still forthcoming. To address the concerns, the government in the last couple of years introduced several new policies, namely – Act East Policy (2014), Make in India Policy (2014) and so on. Under the Make in India (MII) policy, a number of hi-tech sectors has been identified, specialization in which would distinctly change productivity and efficiency patterns. Automobile products (finished vehicles as well as parts and component segment), given India's decades long legacy in the sector, has been included in the list. The recent volume by Barnes, an attempt to map the industrial relations and labour market transitions in the Indian scenario, is therefore a timely contribution to the existing literature.

The volume is spread across seven chapters. The first chapter discusses the growing trend on informalization of workers in the automobile sector in India through contract with labour market intermediaries, and provides an account of the labour market unrests over the last two decades. As the rural-urban migration increased in the new millennium, the rising supply in labour market moved the equilibrium towards more contract workers, who need to be paid lesser benefits as compared to the regular employees. The observed difference in remunerations have created discontent among the workers in the auto sector. The volumes attempts to evaluate the conflicts in their social, industrial and political context in light of standardized practices by IPNs and regional regimes of labour control.

While the Indian players are relatively smaller in scale vis-à-vis the global original equipment manufacturers (OEMs), the scenario is fast evolving. The second chapter provides an account on the present state of automobile industry in India. While several auto clusters have developed in the country, they are more concentrated as compared to other developing nations (e.g., China) primarily owing to two reasons – still-growing phase of the sector and pending reforms in the transport segment. While rising FDI is improving technological sophistication of the sector, divestment from the existing MNC units in India is also not entirely uncommon. The lead auto players from different parts of the country have integrated them with the IPNs and adapted to the changing waves of

D. Chakraborty, JEB, 6(2), 2019, p.114-117.

Journal of Economics Bibliography

global forces. The intensified competition has led to OEMs commonly forming partnerships with strategic partners of the rival OEMs.

The factor market outcomes in any sector can be shaped by a plethora of factors, viz., the policy guidelines, sectoral industrial practices, timing of entry by a lead player and so on. Chapter three views the auto manufacturing in India in light of the industrial policy evolution process. The early mover corporates witnessed government patronage through auto market segmentation and industrial subsidies. During 1982-91 a policy of restricted openness was followed, while post-1991 the foreign firms were allowed to move towards assembly operations that are fully owned by foreign OEMs. With steeper competition, the need and scope of reforming the labour law framework in the country has surfaced often. The recent discussion on possible creation of a single labour code, merging 15 separate labour regulations in a single law deserves mention in this context.

The fourth chapter narrates the transformation process of labour relations in the automobile sector. Several lead players in the sector had participation from foreign investors, thereby paving way for Japanese hierarchical management and formal supervisory structure. The lean manufacturing approach in turn resulted in lean employment relations, which led to early success during pre-liberalization days. The analysis notes that post-1991, competition intensified with tariff reforms and the resulting declining profitability was instrumental in reflexive transformation of the employment relations framework by leading corporates. The initial resistance by the employees forced the firms to shift gear and move towards more temporary workers in the production runs, who are paid a fraction of remuneration received by regular workforce. The practice slowly got normalized across the auto sector in hope of lowering industrial conflicts, though employment insecurity led conflicts have surfaced in subsequent period.

The Indian auto sector is characterized by the presence of a few vibrant clusters, in north, south and west India. Chapter five looks into the scenario for the auto workers in the national capital region (NCR) in the north, through interactions with stakeholders from both sides. The underlying reasons, emergence and working of the regional contract and casual labour system, working of the model and evolving role of labour contractors has been outlined. It is noted that the growth ripples from Delhi, changing land market owing to urban housing projects and resulting land relations, circular and seasonal labour migration and other factors collectively led to emergence of multiple labour intermediaries and deteriorating labour standards and employment relations in auto sectors from the region.

The sixth chapter describes the drivers and outcome of the growing informalization at the low value added segments of the auto sector. Given the close monitoring of the OEMs and the Tier 1 firms, the low-tiers are compelled to follow the high product quality, design specifications, frequency of product orders as well as frequency of payment delivery as dictated by the buyers. At the same time, the urge to join the IPNs force the

D. Chakraborty, JEB, 6(2), 2019, p.114-117.

Journal of Economics Bibliography

firms to keep the price of parts and components down, thereby creating a low-margin and consequent low-wage business environment. The weakening hold of the traditional political parties on labour movement owing to a wide range of factors and rise in migrant labour force lowers the contextual relevance of trade unionism and further adds to continuation of the scenario.

The concluding chapter discusses in detail the dynamics within OEMs and the various Tiers. While in the high-tier segments a contract labour system is emerging, the low-tiers are increasingly characterized by casual labour employment. The analysis concludes that the contract workers would benefit if the employer directly takes charge of their employment rather than the labour market intermediary.

India witnessed a number of industrial conflicts and labour market unrests in the pre-liberalization period. Since 1991, while the de facto informalization has lowered the direct discords (i.e., strikes and lockouts), the possible employment insecurity led conflicts cannot be ruled out. The current volume makes a strong case for the need for social protection in the auto sector and is an elaborate reference to the academicians, policymakers and researchers.



Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by-nc/4.0>).



D. Chakraborty, JEB, 6(2), 2019, p.114-117.