Chapter 1

Introduction

Work and wellbeing is associated through the multifarious relationship of labour and capital with regard to mode of production, its institutions of governance and regulations; production practices; labour processes; labour relations and social relations. These have undergone changes corresponding to transitions in mode of production—from agrarian economy and industrial capitalism to the contemporary global integration of production. Theories and practices that held prominence under various production regimes enable to understand the dynamics of capital-labour relations, its processes, and consequences on production as well as social relations.

The transition from agrarian economy to industrial capitalism, crisis of wars, post war welfarism, emergence of production paradigms such as scientific management, mass production and flexible specialisation are the major contexts and production paradigms that tended to structure, determine and govern capital-labour relations in the past two centuries.

It is well documented that the emergence of industrial capitalism rearranged the traditional capital-labour relations that prevailed in the agriculture based economy in the newly industrialised societies of Europe (Engels, 1845; Doyal, 1979). The theoretical base of division of labour in industrial capitalism lays largely in the postulations of Adam Smith that division of labour brings about qualitative improvement in productivity. Smith (1776), argued, "the specialisation and concentration of the workers on their single subtask often leads to greater skill and greater productivity on their particular subtasks than would be achieved by the same number of workers each carrying out the original broad task". Smith put forward the thesis that division of labour leads to greater improvement in productive powers of labour and capital under three necessary conditions; "first, the increase of dexterity in every particular workman; second, the saving of time which is commonly lost in passing from one species of work to another; and lastly, the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many".

However, industrialisation in Europe showed that division of labour and labour processes which were grounded on the postulations of Adam Smith resulted in
deskilling and unfavourable conditions of work with an absolute control of capital over labour. For instance, the development of industrial capitalism in Britain deteriorated the conditions of workers in the context of surplus labour, which was cheap and largely composed of women and children (Engels, 1845, op.cit). It was in sharp contrast with Smith’s view that division of labour would be a propellant for higher standards of living. Effectively, mode of production under industrial capitalism was characterised by the ‘formal subordination’ of labour to capital.

Theories of Karl Marx hold significance in this context as he noted that division of labour as postulated by Smith would lead to deskilling and alienation due to repetition of work. He argued that with such division of labour “worker is depressed, spiritually and physically to the conditions of a machine” (Marx, 1844). Marx emphasised that division of labour in manufacturing brings the labourer face to face with the material power of the production process, cutting down the worker to a detail labourer. Knowledge, judgment and will are formally exercised only for the factory as a whole, often crippling the worker’s body and mind as well. The detailed division of labour-subdivisions of tasks within industries is thus distinguished from the social division of labour which sets off whole groups from one another in society (Mittleman, 1995).

Structures of management control that emerged in the capitalist mode of production during industrialisation also determined the labour processes and nature of labour markets. The emergence of management paradigms such as Taylorsim and Fordism had rearranged the capital-labour relations during the period of consolidation of industrialisation in the twentieth century. Taylorism marked the disassociation of skill of worker from the labour processes by the increasing control of capital over the conception and execution of work with its techniques, control and authority structures of production, often referred to as ‘scientific management’ (Braverman, 1974; Elger, 1979; Price, 1984).

The organisation of industrial production, division of labour and labour processes based on the postulations of classical economists had been seriously scrutinised in the wake of the World War I and the economic recessions thereafter. The major development subsequent to the World War I and the economic recession was the emergence of the Keynesian economic paradigm. With the Great Depression and, then, World War II, the classical paradigm was completely abandoned and the belief
that Governments needed to play a role in regulating their economies had emerged (De Regil, 2001). Keynes (1936) emphasised that the neo-classical economic assumptions of “powerful market forces tend to ensure that the economy would stay close to full employment of its labour and capital resources” were unreal. Subscribing to this rationale, Keynes proposed that public investing, through taxation or public debt in the form of bonds, would need to be used as the central element in an entire program of discretionary policy. He also proposed that governments must act as compensatory agents at all times to assure full employment by way of a broad program of discretionary fiscal policy, which checks and balances every aspect of the capitalist economy (De Regil, 2001; op. cit.).

Mode of production in the welfare nations therefore recognised or accommodated the regulatory character of the State and its redistributive roles. Major development in the world of work in the light of Keynesian welfarism was the emergence of Fordist production organisation in some countries in Europe and America, which emphasised the mass production of consumer durables that are made on moving assembly line techniques operated with the semi-skilled labour of the mass worker. As Jessop (1992) noted, “the dynamics of Fordism is closely related to the form and function of the Keynesian welfare state since in Fordism, the State manages the wage relation and labour market policies and guides the aggregate demand, in this way it helps to balance the supply and demand”. The capital-labour relations also witnessed rearrangements, largely from a level of ‘actual subordination’ of labour to capital\(^1\) to negotiations as mode of production accommodated the institutionalisation of collective bargaining to a certain extent (Przeworski and Wallerstein, 1982).

Mode of production and labour processes in the then emerged socialist States, on the other hand, was distinct from the welfarist postulations and practices of provisioning of basic needs. For instance, socialist regime in Soviet Union emphasised on the non-contributory social insurance to cover all wage and salary earners as well as the rural and urban poor (Rimlinger, 1971; Mishra 1976). The concepts of welfare in the socialist states encompassed the principles of universal coverage, comprehensive

\(^1\) The term actual subordination of labour to capital was first used in the context of industrial revolution by Marxist economists like Przeworski. It refers to the labour relations during industrial revolution when the social division of labour and division of labour within individual capitalist enterprises underwent several changes. Most notable was that the industrial revolution enhanced the prevalence of objectified labour over live labour, which had no control on own labour. In welfare paradigm, labour, to a certain extent, gained the space for collective bargaining.
protection, benefits as social rights and adequacy of benefits (Mishra, 1976; op. cit, p.37). The role of labour in the socialist regime was implied to cooperation on a planned basis, of the labour of all citizens and this process of social organisation of labour ensured that people work both for themselves and for the benefits of the entire society (Radek, 1931). The organisation of labour under socialist regime thus envisaged the complete elimination of workers' life-long bondage to any one production operation.

Another major shift in production organisation, often referred to as post Fordist production organisation, appeared from the period of early 1970s with the beginning of the 'crisis of capitalism', characterised by increase in unemployment in Europe, the growth in public deficit, the third world debt and inflation. The debates of post-Fordism is centred on the theoretical edifications of regulationism, which emphasises the norms and institutions that regulate the dynamic adoption of production and consumption in the institutionalist version of the economy\(^2\); neo-Schumpeterianism which talks about the 'Techno-economic Paradigm' and the importance of scientific knowledge and technology in production, circulation and consumption\(^3\); and Flexible specialisation, which emphasises on decentralisation of production through small units and sub-contracting arrangements.\(^4\) Major changes in the post-Fordist regime on economy, technology, organisational structure, labour and industrial relations, workforce profile and work culture (Harvey, 1989; Rustin, 1989) are generally said to be as follows.

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\(^2\) Theory of Regulationism was emerged in France in the late 1970s. The central concept in this theory is regulation, understood in general as the mode of regulation, which includes institutional forms that ensure the reproduction of social relation and in particular the adaptation of production and demand. Regulationism emphasises the norms and institutions such as State, which regulate the dynamics of production and consumption and rejects the neo-classical idea of automatic adjustment mechanism of the market. For more discussion see, Aglietta (1976); Lipietz (1986); Boyer (1988) and Jessop (1995).

\(^3\) The neo-Schumpeterian approach to post-Fordism is based upon the theory of Kondratiev by Rachel Wareham. The theory holds that technological innovations are the central factors in the process of production, circulation and consumption. The theory further suggests that technological paradigms have life cycles from increased productivity to stagnation; however, technological paradigms can be subverted through technological revolutions and make changes in scientific knowledge about the central processes of production and consumption for improved productivity. For more discussion, see Freeman and Louca (2001) and Perez (2002).

\(^4\) Flexible specialisation could be functionally defined as "manufacture of a wide and changing array of customised products using flexible, skilled, semi skilled or un-skilled, but adaptable workers". In practice, it is decentralisation of production through small units and sub-contracting arrangements. For more discussion on flexible production and labour market flexibility, see Harvey and Scott (1988); Scott (1988) and Sabel, C. F. (2004).
"In the economy: the rise of a global market and global corporations, and the decline of national enterprises and the nation state as effective units of production and regulation; flexible specialisation and the dispersal and decentralisation of production, replacing mass marketing and mass production; flatter hierarchies and emphasis on communication rather than command in organisation; vertical and horizontal disintegration, and an increase in sub-contracting, franchising, internal marketing within firms and the hiving-off of functions; rise in the number of flexitime, part time, temporary, self employed and home workers" (Kumar, 1995).

"In politics and industrial relation: the fragmentation of social classes, the decline of national class based political parties and class voting, and the rise of networks based on region, race or gender; the decline of mass unions and centralised wage bargaining; labour force divided into core and periphery; break-up of the standardised, collectivist welfare provisions, and the rise of consumer choice and private provision in welfare" (Ibid, p.76). In culture and ideology, changes that said to have occurred are "the rise and promotion of individualist modes of thought and behaviour; a culture of entrepreneurialism; end of universalism and standard of education; populist approaches to culture and privatisation in domestic life" (Ibid, p.76).

Changes in production practices, labour practices and labour relations in the post-Fordist regime can be explained in the light of the theory of flexible specialisation and practices of flexible production. Flexible specialisation as production organisation gained prominence when the crises of welfare and socialist states seriously posed questions on the production and labour practices. As Lipietz (1997) noted, "the crisis of welfare states and Fordist production practices was largely attributed to the 'problems of supply side' with regard to slow down in productivity, growth of total labour cost, worsening of capital/product ratio and increase in the price of primary commodities". In the pretext of mitigating this crisis, flexible policies of labour and production were put in place by Governments of United States and United Kingdom, which was eventually followed by other OECD countries (Lipietz, 1997). By 1980, with the macro economic crises of slow down of economic growth and fiscal strain, the choice of flexibility had gained wide recognition (Ibid).

According to the proponents of flexible specialisation like Piore and Sabel (1984), inflexibilities in the labour market are the key barrier to employment growth, and
therefore “there has been a need to bring about a fundamental transformation in the relationship between the state and the labour market and to restore freedom of contract as the basis for economic relations” (Marshall, 1999). This particular flexibility thesis made several propositions. As Marshall (1999) noted, “firstly, wages are too high and too rigid, thereby pricing workers out of jobs and creating unemployment. Trade unions and collective bargaining arrangements here are seen as obstacles of economic growth and employment generation. Secondly, in the regulated paradigm, wage differentials are too small, hindering labour mobility. Thirdly, legally based labour rights are too extensive, leading to high labour costs. Finally, social security systems encourage voluntary unemployment and act as a disincentive to work”. Piore and Sabel (1984) argued that in response to the ‘rigid’ labour market, governments need to curtail involvement in the labour market and limit the power of trade unions, to give employers more freedom of action, so that employment will grow.

Shift to flexible practices in the developed world is to be viewed in the context of the increased movement of capital in the globalised world and the policies of deregulation that most of the developing and underdeveloped countries embarked on as part of macro economic stabilisation subsequent to the economic crisis. Processes of globalisation resulted in global integration of labour markets, characterised by a ‘new international division of labour’ subsequent to the restructuring of the developed world with a shift from industry to service (Gordon, 1988). This has been driven by the opening and expansion of international trade and capital flows and a growing speed of global production networks, outsourcing and offshoring (Akyuz, 2003).

Manifestation of internationalisation of flexible production was major on labour processes and labour relations due to the shift of base of production from the first world to the third world and within the third world, from formal to informal sector under the new international division of labour. It is widely noted that in several countries, during the period of economic reforms, informal economy tended to expand due to mobility of workers in the formal sector to the informal sector when public enterprises are closed or down sized. For instance, a World Bank survey in 1994 showed that more than a third of public labour force worked full time or part time in the informal sector in the developing world (WDR, 1995). UNCTAD
accounted that informal markets expanded in those countries which experienced
deindustrialisation subsequent to economic liberalisation (UNCTAD TDR, 2003). Outsourcing or offshoring of production from developed countries, which involved sub-contracted production chains, also invigorated the process of shift of production
to informal arrangements. In fact, much of the export oriented outsourced production
chains, adopted flexible specialisation and organised production along decentralised sub-contracted chains.

As mentioned above, flexible production primarily aimed at reducing the supply side
cost i.e. labour cost. Since informal arrangements are relatively less regulated, employers are able to pursue the practices of flexible production towards reducing the labour costs unfettered. Labour processes and labour relations in such environments are rather informal in the context of the non-accommodativeness of wage-negotiating institutions and obscure regulations by Governments. There are different views on the impact of expansion of informal sector, especially export oriented manufacturing on employment and wages in developing countries. One view is that the growth of trade has a large positive effect on manufacturing employment and wages in developing countries which emerged as important exporters to developed countries (Ghose, 2000; op. cit). As per this view, trade induced expansion of informal sector brings large employment opportunities for unskilled workers and women. Another view is that though expansion of informal export oriented sector generates some employment opportunities, it is very much associated with low wages and poor working conditions and adversely affects the working and living conditions of the labourers.

There are evidences of adverse conditions of workers in the informal arrangement of production organisation. For instance, in several developing countries, which underwent economic transition and structural changes, there was fall in aggregate demand for labour and decline of real wages of workers (WDR, 1995; op. cit.). Nonetheless, there is hardly any evidence of increase of wages of the unskilled and semi-skilled workers in the export oriented manufacturing sector in any of the transitional economies except the East and South East Asian countries. For instance, in countries like India and Indonesia wage differentials between the skilled and unskilled workers have shown an increase since 1990s (Ghose, 2000; op. cit).
Implication of flexible production organisation on employment, wages and working and living conditions of workers hence is a research agenda in the context of flexibilisation of labour market in several countries. The present study examines whether labour processes under flexible organisation of production lead to inferior conditions of health for workers in the informal sector employment. It seeks to approach this problem in the light of the concepts of international division of labour, decentralisation of production, sub-contracting of production, flexibilisation of labour market, core-periphery division of labour, labour control, informalisation of labour and qualitative aspects of wellbeing. Broad questions that the study attempts to answer are how concerns of well-being and health are dealt with in the informal work arrangements, especially where employer responsibility does not exist and regulatory measures are obscure? What are the new forms of employment, division of labour and labour relations under flexible production practices? What are the effects of factors such as international trade, domestic (de)regulation, workplace organisation and labour practices on wages, conditions of work, social security and job security in flexibilised system of production, which has been integrated to global supply chains? What are the patterns of work organisation and labour compositions in the core and periphery of work place? And how chances of working in the informal sector, being poor and having/susceptible to adverse health outcomes are associated?

The study is organised into six chapters. Second chapter traces the interconnectedness of production organisation and labour relations under different production relations historically, and attempts to develop a framework for analysing work and health, encompassing the broader aspects of nature of state, capital-labour relations, structure of labour market, hierarchies and qualitative aspects of wellbeing of workers. Under this analytical framework, the chapter problematises the present study. Third chapter analyses the macro context of work and health with a focus on the structural changes in the Indian labour market subsequent to economic reforms. The chapter, using secondary data sources, analyses the trends in informal employment and qualitative indicators of wellbeing such as wages, situation of poverty, consumption and expenditure pattern and healthcare in the informal sector in India in the post economic reform period. Fourth chapter specifically focuses on the structural changes in the textiles and garment sector in India in the context of
international trade and its interconnectedness to production organisation and labour relations in India in the pre and post quota elimination phase of trade in textiles and clothing. It explores the implications of employment, wages and conditions of work of workers in the export oriented production sector in the post quota phase. Chapter five and six, in the light of the primary study carried out among casual workers in the formal garment export industry in Mangolpuri, Delhi, examine the interrelations of informal employment and adverse conditions of health of workers. Based on the primary study, chapter five examines how informality is practiced as part of flexible production and how it is multiplying the vulnerability of the workers with regard to declining conditions of living and wellbeing. With this, the chapter identifies the associated conditions of adverse health outcomes of the casual workers in the formal garment export units. The direct and indirect health consequences are examined further in chapter six in the backdrop of the identified associations of informal employment and adverse health outcomes for workers.