Restructuring Development under Global Financial Crisis
Lessons from India

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Social and Political Dimensions of the Global Crisis:
Implications for Developing Countries
12-13 November 2009, Geneva
This Presentation

- Discusses the major findings of a study on impact of the global financial crisis on informal workers and small producers in India and
- Draws inferences for restructuring development in India
Channels of the Impact

- Financial sector: capital outflows and decline in FDI, ODA, remittance, Export revenue – financial crunch for the govt and pvt sector
- Export markets collapsed
- Exchange rate: pressures on the Indian rupee leading to decline in its value: increase in cost of raw materials and intermediate goods raising the cost of production of export goods in some cases
- Decline in tradable services: tourism, IT services, etc
- Overall adverse impact on growth rate, govt revenue, investment, employment, incomes etc, as well as on poverty reduction, human development and MDG achievements, women’s development etc.
Sectors Impacted

- A wide range of sectors: from Gems & Jewelry to waste picking

- Selected Sectors in 5 major states (April-June 2009)
  - Textiles: chikan craft
  - Gems & jewelry
  - Engineering
  - Auto-parts
  - Home-based Garments
  - Agriculture

- Organizations involved: CFDA, GIDR, EDII and SEWA - CFDA coordinated the study
Approach & Methodology

Quick Survey: April – June 2009
• Sector profile
• Centre(s) profile
• FGDs
• Purposive sampling and survey
• Case studies
Table 1 Impact of Global Crisis on Labour and Employment (in %)

<table>
<thead>
<tr>
<th>Consequences/Sector</th>
<th>Gems and Jewelry</th>
<th>Auto parts Industry</th>
<th>Engineering Industry</th>
<th>Garment</th>
<th>Agriculture</th>
<th>Chikankari</th>
<th>Average %</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Unemployed</td>
<td>30</td>
<td>5</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>8.55</td>
</tr>
<tr>
<td>% Employed in the same sector with lower employment/income</td>
<td>49</td>
<td>55</td>
<td>53</td>
<td>80</td>
<td>99</td>
<td>57</td>
<td>61.8</td>
</tr>
<tr>
<td>% Decline in employment status based etc</td>
<td>61</td>
<td>70</td>
<td>27</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>26.14</td>
</tr>
<tr>
<td>% Shifted from skilled to unskilled work</td>
<td>32</td>
<td>8</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td>38</td>
<td>11.57</td>
</tr>
</tbody>
</table>
Table 2 Impact of Global Crisis on Daily Wage Rate and Monthly Income (in %)

<table>
<thead>
<tr>
<th></th>
<th>Gems and Jewelry</th>
<th>Auto parts Industry</th>
<th>Engineering Industry</th>
<th>Garmen</th>
<th>Agricultu</th>
<th>Chikan</th>
<th>Avera</th>
<th>Avera</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily wage rate (Rs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before Crisis</td>
<td>184.51</td>
<td>154.65</td>
<td>166.6</td>
<td>66.74</td>
<td>107.1</td>
<td>32.61</td>
<td>109.23</td>
<td></td>
</tr>
<tr>
<td>After Crisis</td>
<td>102.8</td>
<td>126.4</td>
<td>144.35</td>
<td>39.44</td>
<td>89.05</td>
<td>20.7</td>
<td>78.91</td>
<td></td>
</tr>
<tr>
<td>Monthly income (Rs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before Crisis</td>
<td>5846</td>
<td>3850</td>
<td>6888</td>
<td>1877</td>
<td>3233</td>
<td>978</td>
<td>3463</td>
<td></td>
</tr>
<tr>
<td>After Crisis</td>
<td>3135</td>
<td>2270</td>
<td>6165</td>
<td>615</td>
<td>2679</td>
<td>621</td>
<td>2339</td>
<td></td>
</tr>
</tbody>
</table>
Chart 3: Average Monthly Income of the Workers before and after Crisis
Chart 4: Daily Wages (Earnings) of Workers before and after Crisis

- Gems and Jewellery
- Auto parts Industry
- Engineering Industries
- Garment
- Agriculture
- Chikan Craft

Before Crisis
After Crisis
Table 3 Copping strategy: HHs Pawning & Selling Assets, and Borrowing (in %)

<table>
<thead>
<tr>
<th>Borrowing / Sector</th>
<th>Gems and Jewelry</th>
<th>Auto parts Industry</th>
<th>Engineering Industry</th>
<th>Garment</th>
<th>Agriculture</th>
<th>Chikan Craft</th>
<th>Average %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pawing of assets</td>
<td>19</td>
<td>73</td>
<td>23</td>
<td>7</td>
<td>6</td>
<td>13.93</td>
<td>23.66</td>
</tr>
<tr>
<td>Selling of assets</td>
<td>33</td>
<td>7</td>
<td>15</td>
<td>13</td>
<td>25</td>
<td>15.04</td>
<td>18.01</td>
</tr>
<tr>
<td>Borrowing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>32.28</td>
<td>23.2</td>
<td>1.5</td>
<td>3</td>
<td>35</td>
<td>13</td>
<td>18.00</td>
</tr>
<tr>
<td>After</td>
<td>50.3</td>
<td>86.4</td>
<td>47</td>
<td>36</td>
<td>39</td>
<td>7</td>
<td>44.28</td>
</tr>
</tbody>
</table>
## Table 4 HH Reducing Consumption (in %)

<table>
<thead>
<tr>
<th>Reducing / Sector</th>
<th>Gems and Jewelry</th>
<th>Auto parts Industry</th>
<th>Engineering Industry</th>
<th>Garment</th>
<th>Agriculture</th>
<th>Chikan Craft</th>
<th>Average %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food consumption</td>
<td>17.64</td>
<td>12.96</td>
<td>11.50</td>
<td>14.90</td>
<td>11.80</td>
<td>15.40</td>
<td>14.03</td>
</tr>
<tr>
<td>Education expenditure</td>
<td>59.74</td>
<td>39.2</td>
<td>20</td>
<td>54</td>
<td>29</td>
<td>64</td>
<td>44.32</td>
</tr>
<tr>
<td>Health expenditure</td>
<td>66.93</td>
<td>72.00</td>
<td>44.20</td>
<td>54.00</td>
<td>41.00</td>
<td>69.00</td>
<td>57.86</td>
</tr>
<tr>
<td>Nature of Impact / Sector</td>
<td>Gems and Jewelry</td>
<td>Auto parts Industry</td>
<td>Engineering Industry</td>
<td>Garment</td>
<td>Agriculture</td>
<td>Chikan Craft</td>
<td>Average %</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>------------------</td>
<td>---------------------</td>
<td>----------------------</td>
<td>---------</td>
<td>-------------</td>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Non-working Women Joined Part Time Work</td>
<td>16.54</td>
<td>21.6</td>
<td>4.4</td>
<td>9</td>
<td>15</td>
<td>36</td>
<td>17.09</td>
</tr>
<tr>
<td>Non-working Women Joined Full Time Work</td>
<td>51.18</td>
<td>4</td>
<td>1.2</td>
<td>2</td>
<td>32</td>
<td>11</td>
<td>16.9</td>
</tr>
<tr>
<td>Working women increased working hours</td>
<td>0</td>
<td>0</td>
<td>4.4</td>
<td>12</td>
<td>12</td>
<td>5</td>
<td>5.57</td>
</tr>
<tr>
<td>Increase Domestic work of women</td>
<td>24.4</td>
<td>26.4</td>
<td>7.4</td>
<td>57.5</td>
<td>21.0</td>
<td>49.0</td>
<td>31.0</td>
</tr>
</tbody>
</table>
Other Impacts

• Increased mental depression
• Increased domestic Tension & conflicts,
• Increased domestic violence,
• increased addictions,
• Cases of suicides by workers, a few times with family
Return Migration

• Going back to villages is an important coping strategy of affected workers
• 10 m workers returned back under the crisis in India (Surat: 50 %)
• Impact on returned migrants
• Generation of pockets of poverty
Impact on Small Producers

- As it is a neglected group of producers
- Under the crisis it became the worst affected group of producers
- Many small units closed down
- Started small petty business, or became hired workers or were unemployed
This study exposes two major weaknesses of national policies

• Weaknesses of the national policies that fail to address the concerns of informal workers, small producers and women in crisis

• Weaknesses of the external policies emanating from the model of growth that do not leave enough space to address national concerns and development goals.
Weaknesses of the national policies

- Setback in poverty reduction and in human development
- Workers in the globalized sectors - who earn more than 30 percent of foreign exchange - are thrown to the volatility of the global market without any protection.
- In spite of about 60 years of planning universal access to basic health and education is not ensured to all
- Small producers / own account workers, who are predominant, do not enjoy level playing field with large producers
- No institutionalized arrangements to help workers to look for alternative jobs, leading to wastage of skills
- Women, who take the major burden of crisis are almost invisible in official data and policies.
Recommendations

• Universal social protection to workers - need to ensure legal, institutional and financial support
• Ensuring employment services to all workers
• Right to food, health and education
• Addressing problems of small producers
• Skill training and skill up-gradation
• Giving visibility to workers and small producers
• Bail out package for women
• Use employment guarantee to address such crisis
Weaknesses in Trade Policy and Development Model

• What are the gains of globalizing at the lowest end of the value chain when the GPNs dominate the global markets?

Incorporate development goals (decent work, poverty reduction, promotion to MSME, gender equality, human development etc) into trade policy

• What are the gains of treating exports as “the driver of growth”, when the global market is not only competitive but can also shrink under protectionism of developed countries?

Rebalance sources of growth: develop domestic markets

• Is trade and trade-induced growth the goal or means of achieving human well-being?

Composition of growth matters: the weaknesses of the growth process cannot be corrected after the growth has taken place (low employment coefficients, vulnerability and insecurities, widening inequalities leading to dualism in growth, environmental non-sustainability)
Towards an Alternative

• Expansion of domestic markets
• Inclusive trade policy, for achieving development goals
• The global policy framework and institutions should provide space to national economies to pursue development goals
THANK YOU!
Export and Import values Aug-2008 to Aug-2009

Exports $ mln.
Imports $mln
% Changes in Export and Import (Aug-08 to Aug-09)
Chart 1  Impact of Crisis on Employment of Worker

**Sectors**: 1= gems and Jewelry, 2=Auto parts, 3=Engineering, 4=Garment, 5=Agriculture, 6=Chikan craft.

**Series** 1=Unemployed at present, Series 2= undertook similar work with lower incomes, Series 3= Shifted to another sector/ work, Series 4= No change
Chart 2: Shifting to Unskilled Work and Deterioration in Employment Status of Workers

- **% of Workers Experienced Deskilling**
- **% of Workers Experienced Decline in their Employment Status**

Sectors:
- Gems and Jewellery
- Auto parts Industry
- Engineering Industries
- Garment
- Chikan Craft

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Deskilling</th>
<th>Decline in Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gems and Jewellery</td>
<td>30</td>
<td>70</td>
</tr>
<tr>
<td>Auto parts Industry</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>Engineering Industries</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Garment</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Chikan Craft</td>
<td>40</td>
<td>50</td>
</tr>
</tbody>
</table>
Chart 5  Borrowing Before and After Crisis

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Before Crisis</th>
<th>After Crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gems and Jewellery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto parts Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Industries</td>
<td></td>
<td></td>
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<tr>
<td>Garment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chikan Craft</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% of HH
Chart: 6 Percentage of HH Experienced Reduction in Food Consumption after Crisis

- Percentage of HH that Reduced Quality Food Consumption
- Percentage of HH that Reduced Eating Out
- Percentage of HH that Skipped a meal a day

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of HH that Reduced Quality Food Consumption</th>
<th>% of HH that Reduced Eating Out</th>
<th>% of HH that Skipped a meal a day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gems and Jewellery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto parts Industry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Industries</td>
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<td></td>
<td></td>
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<tr>
<td>Garment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chikan Craft</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Chart 7  Percentage of HHs that Reduced Education Expenditure after Crisis

Percentage of HHs that Reduced Education Expenditure after Crisis

Sectors 1 & 2 = Gems and Jewellery, 3 & 4 = Auto parts industry, 5 & 6 = Engineering Industry, 7 & 8 = Garment, 9 & 10 = Agriculture, 11 & 12 Chikan Craft.
Series 1 = Dropped out from school/college, Series 2 = Change to cheaper school, Series 3 = Loan for Education, Series 4 = Have not paid fees.
Chart 10 Percent of HH experienced Increase in Economic Participation by Women
Chart 11 Percent of HH experienced Increase in Domestic Work of Women

- Gems and Jewellery
- Auto parts Industry
- Engineering Industries
- Garment
- Agriculture
- Chikan Craft

Percent of HH Experienced Increase in Domestic Work of Women