



**Labour Dynamics and Social Security in Leather-based  
Enterprises in Mumbai and Shanghai-  
A Preliminary Background Study**

(Project granted by the Indian Council of Social Science Research)

**P.K.Anand**

Research Assistant, Institute of Chinese Studies, Delhi

anand.p.krishnan@gmail.com

Presented at  
The Advanced Training Programme on  
Inter-Asian Urbanity: Connections and Comparisons  
*University of Hong Kong, 18-24 August 2014*

Jointly Organized by  
The Hong Kong Institute for Humanities and Social Sciences  
East China Normal University  
&  
Harvard-Yenching Institute

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## About the Author

**P.K.Anand** is a Research Assistant at ICS, working on a project on India-China Border Issue. He joined the Chinese Studies Division of the Centre for East Asian Studies, in the School of International Studies, Jawaharlal Nehru University for his M.Phil, which was completed in 2008. His M.Phil dissertation is titled "**The Concept of Socialist Market Economy: A Study of the Chinese Discourse during the Deng Period**". He is pursuing his Ph.D from the same division on "**Market Dynamics and States Responses in China: Social Welfare and Industrial Workers, 1987-2008**". His research interests are China's Political Economy, Economic Reforms, Social Welfare and Social Policies, Labour and Urbanisation. He has presented papers in International Conferences and Seminars on the "*Chongqing Model*" and Land Issues in China.

**First published in 2014**  
**by the Institute of Chinese Studies,**  
**8/17 Sri Ram Road,**  
**Civil Lines,**  
**Delhi 110 054, India**  
**Ph.: +91-11-23938202; Fax: +91-11-23992166**  
**Email: [info@icsin.org](mailto:info@icsin.org)**  
**Website: [www.icsin.org](http://www.icsin.org)**

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### **Acknowledgment**

This Working Paper is part of a Research Project (2014-2016) awarded by the Indian Council for Social Science Research (ICSSR) titled “State Responses to Social Welfare in China and India: A Comparative Study of Workers in Small and Medium Enterprises”. The author of the paper is also the Project Director, who works as a Researcher at the Institute of Chinese Studies.

The author would like to thank the Indian Council of Social Science Research for the funding support

## Labour Dynamics and Social Security in Leather-based Enterprises in Mumbai and Shanghai-A Preliminary Background Study

P.K.Anand\*\*1

The advent of Globalization has led to profound transformation in the global economy in terms of policy paradigms, growth trajectories and developmental strategies of governance, in the advanced economies as well as in the developing countries. In the late 1980s and early 1990s under the forces of Globalization, Liberalization and Privatization, sustained changes were brought in the patterns of economic production and distribution. These changes guided by the loosening of the command authority of the state in the economic decision-making and giving more expanded role for the forces of market, have also marked shifts in the forms of industrialization with considerable space for diversification, informalization, active encouragement for entrepreneurial skills and increased competition. Synonymous with such changes in production patterns and strategies, was the remodeling and transfiguration of the dynamics of labour. While the labour system had to take into cognizance the reshaping of the larger economic system and production strategies for better adaptation, such reconfiguration was not always a seamless or smooth one. The reorganization of labour relations in this context, and the inherent challenges in seeking smoother processes of negotiations with the industrial managements and in turn the state, also sharpened conflicts; in fact, the relationship between the workers, the managements and the state was ever conflictual even though measures were sought to be undertaken to maintain harmonious relations.

The economic transformation gained greater significance, when pitched together with the rising economies, especially India and China. With a billion population, seen as human resources, vastness in geographical area for expanding investments and accessibility to a larger market, both the countries were presented as emerging economies in the developing world. The undertaking of significant reforms in the economic system by both the countries around the same period, also defined the outlook for their future. The liberalization of the economy by both countries was also undertaken with the aim of achieving higher growth and development, along with the need to integrate with the global economic system. The resulting opportunities and

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\*\* P.K.Anand is a PhD student at the China Studies Division, Centre for East Asian Studies, Jawaharlal Nehru University. He is presently working as a Research Assistant at the Institute of Chinese Studies, Delhi. E-Mail: [anand.p.krishnan@gmail.com](mailto:anand.p.krishnan@gmail.com)

challenges for both the countries were deemed to be having common characteristics, even if they not entirely similar. Thus, the avenues for comparative analysis also began to gradually emerge and make headway over the past many years.

This paper is part of a larger two-year project, funded by the Indian Council for Social Science Research (ICSSR), to study the Social Security for the workers in Small and Medium Enterprises in Mumbai and Shanghai-Zhejiang province. Started in March-April 2014, the project aims to study the various institutional arrangements propounded by the state (even though the national state is a key player in this regard, the sub-national meaning provincial, municipal or local-has a more significant role) and those which are available for the workers. The study also seeks to understand the discourses of labour in the formal-informal manufacturing sectors, its accompanying dynamics and ways of organization in terms of articulation of their interests as well as demands. The project essentially concentrates on the leather-based and toymaking/chemical industries in both the metropolises. There has been a certain amount of flexibility which has been adopted to expand the limits of Shanghai and extend it to the larger parts of the Yangtze river delta, especially Zhejiang province. Therefore, rather than strictly restricting the comparative to the municipal limits of both cities, this flexibility has allowed for a more expanded field of study concerning the relevant industries. Following up on the project, this paper seeks to provide a background of the dynamics of labour relations and social security with regard to leather-based industries. Before moving further, I would like to bring forward certain limitations. Since the project started only a couple of months back, it has been difficult to do a detailed and specific study on the leather-based industries. Further, as there is a paucity of secondary data on leather industries, especially in China, primary data collection through field visits, questionnaire surveys to the selected areas and interactions with a range of concerned actors gains importance, which will be undertaken over the next one year. Thus, factoring in these drawbacks, this paper would proceed to give the background analysis of the chosen area. The first section of the paper would focus on the discourse of urbanization keeping in context the two metropolises being the sites of research. Connecting urbanization to the labour relations, the next section would look at the emergence of non-state enterprises or Small and Medium Enterprises (SMEs), under which rubric, most of the leather-based industries fall. After this, the focus will move towards labour relations and social security dynamics in a general sense as well as in specific relations to SMEs. The concluding part of the paper will throw light on the background of leather-based industries.

## **Urbanization and 'Global City' Paradigm: Shanghai and Mumbai**

One of the hallmarks of the economic reforms and transformation with regard to both China and India was the strategy of urbanization. Along with industrialization, urbanization was seen as necessary condition for spurring development in order to shift towards the higher level of material progress and ensuring the fulfillment of the agenda of modernization. While China ventured into this strategy by having a long-term focus from the beginning, India got onto the bandwagon later. This discourse on urbanization, which has considerably risen in the aftermath of the onset of Globalization, can be better understood by attempting to anchor it in the 'Global City' perspective espoused by the Swedish sociologist, Saskia Sassen. According to Sassen, "the ascendance of information technologies and the associated increase in the mobility and liquidity of capital, have augmented cross-border economic processes, which have been conditioned by privatization and deregulation under aegis of globalization." By adopting the terminology of 'Global City', Sassen further points out that with the expansion of the global economy, worldwide networks and linkages were created between different cities, thus serving as a globalizing phenomenon. She attempts to give a theoretical grounding in order to establish the 'Global City' as a concept, by explaining the need for creating conditions for specialized firms to expand their network of functions, providing space for these specialized firms to establish their headquarters, strengthen cross-border inter-city transactions/networks, have a significant concentration of high-income professionals and high-profit specialized firms as well as a high degree of informalization of economic activities (Sassen, 2009: 5-6). Altogether, this entails a global networked connectivity with metropolises becoming central command centres to disperse and concentrate operations/transactions of financial firms. The attraction of foreign affiliates and the cities becoming the sites for global financial markets further illustrate this interconnectedness. Also, the growth of investment and installation of industrial zones for exports further underline the globalized form of cities in the contemporary period. Both Shanghai and Mumbai reflect these characteristics, even though in relative terms, the former is ahead in the various development indicators.

Mumbai and Shanghai have similar historical trajectories in terms of British colonial influences, and were gateways to external trade and commerce in the past due to their proximity to the sea and thereby possessing port facilities.<sup>2</sup> In contemporary times, both Mumbai and Shanghai are financial bridgeheads, experiencing rapid urbanization and wide-ranging economic and social

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<sup>2</sup> While the British came to possess Mumbai as a dowry property from the Portuguese when their King Charles II married Catherine of Braganza in 1661, Shanghai was one of the five ports, along with Canton, Xiamen, Fuzhou and Ningbo, acquired under duress from the Qing government following the Treaty of Nanjing in 1842.

change; with comparable populations<sup>3</sup>, both metropolises have seen rise in encouragement for private investment and attracting global and national capital as well as talent; however, of the two Shanghai has been more successful in making greater progress towards achieving its global ambitions, which can be illustrated from the FDI inflows that amounted to USD 6.9 billion, compared to Mumbai's 4.9 billion in 2002 (Chattaraj, 2012: 25). Shanghai is also ahead of Mumbai, in terms of marked improvements in urban infrastructure and material living standards of its residents. While the role of the sub-national state is vital in both Mumbai and Shanghai (wherein the local state along with civil society and private entities work towards making comprehensive and all-round plans for the development of the city), the latter has been able to make use of this in a far more better fashion. According to Shahana Chattaraj in her doctoral thesis comparing Mumbai and Shanghai using the sub-national state as the key variable, the various factors cited for the latter's higher development include more professional and research driven approach to planning at the level of cities that include both long-term master plans as well as five-year planning exercises, and implementation of these plans concretely on the ground. Further, she points out that the transformation of Shanghai, being earmarked for standing at par with Singapore and Hong Kong as international centres in terms of global competitiveness, was undertaken whereby the local state was 're-inventing itself to make best use of the economic opportunities; apart from getting funds through central government transfers, the local government also raised revenues through municipal bonds, public-private partnerships, foreign investments, domestic capital markets and asset management (Wu, 2009: 136).

In fact, Shanghai was primarily not envisaged as a financial centre, but rather as a hub of high-technology and capital-based manufacturing. Given that industrialization is a vital component in the generic understanding of urbanization wherein both are mentioned almost synonymously, both the metropolises need to be observed very closely and that too with regard to the manufacturing sector. With regard to Mumbai, whose industrial life largely centered on the textile mills in the past, their closure marked a definite shift in the economic outlook. A certain amount of de-industrialization has also taken place with the closure of the mills, as food, machinery and chemical industries were also affected; in parallel terms, the industries manufacturing rubber products, plastics, oil and oil products, wool, silk and synthetic fibres and transport equipment expanded in the early 1990s (Harris, 1995: 50). The rise of the services

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<sup>3</sup> Shanghai region's population being 23 million and Mumbai's 21 million. "World Urbanization Prospects: 2014 Revision", (Originally published in 2007), Population Division, United Nations Department of Economic and Social Affairs, 10 July 2014,



sector in financial activity, and the creation of commercial centres, was sought to be supplemented by emphasis on tourism, entertainment, hospitality and retail trade sectors, so as to produce a multiplier effect on the manufacturing sector (Harris, 1995: 55). In the case of Shanghai, which was considered to be a major engine of China's industrial growth in the Mao period and which continued to benefit from increased investment allocation in the Dengist era, there was further acceleration in the growth of industries in the early 1990s; this was complemented by the rise in the tertiary services sector that moved from 8 percent to 12.5 percent between 1986-1990 and 1991-1995 (Ash and Qi, 1998: 152). However, the Open Door policy adopted post-1978 reforms in order to attract increased foreign investments in dedicated enclaves around the coast, overlooked the possible inclusion of Shanghai. Thus, southern provinces like Guangdong and Fujian marked significant rates of growth and overtook Shanghai, going on to become vital engines of the economy. In order to correct this exclusion, the Pudong New District (*Pudong xinqu*) was opened in 1990, supported by a series of preferential measures by the central government. By attracting many leading multi-national companies (MNCs) through investment opportunities in Pudong, there was a rapid rate of capital formation through massive capital inflows.<sup>4</sup> Following a considerable gap, during which the policy of dedicated experimental trade and industrial zones which were pioneered during the reform period was given a pause by the party-state, a fresh impetus has been provided by the present central government. By choosing Shanghai as the site of the first experimental Free Trade Zone, the Chinese government seeks to prioritize the metropolis for the next level of development and is working to make it as a node for networks for global financial interactions.

### **Small and Medium Enterprises: Diversification of Industrial Production**

The globalization of the world economy has also re-set the patterns of industrial production, methods of ownership and financing, labour practices and relations. The tight competition and changes in the business environment along with development of technology, have also conditioned the shifts in the industrialization strategies. It is in this context that production techniques have moved from concentration on heavy industries towards diversification and innovation driven ventures. This is best illustrated by the promotion of the non-state sector in augmenting production, providing incentives, encouraging competition and creating the ground for expanding the contours of the economy. The promotion of private enterprises by the state

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<sup>4</sup> Some of these MNCs were AT&T, Ford, IBM, JVC, Ricoh, Mitsubishi, Coca-Cola, Pepsi, Philips, BASF and Siemens. Ash, Robert F and Luo Qi (1995), "Economic Development", in Bran Hook (ed.) Shanghai and the Yangtze Delta, New York: Oxford University Press.



was also in concurrence with the discourse on liberalization, wherein the market played the guiding role in determining the various factors of production and exchange. The adherence to market reforms was parallel to shifting of the role of the state from direct production, by seeking to promote entrepreneurship by creating incentives and favourable conditions for individuals or groups to make capital investments and establish micro, small and medium enterprises. The Micro, Small and Medium Enterprises (MSMEs), whose development gathered momentum towards the end of 1980s and the beginning of 1990s, were viewed as intrinsic engines of commercial production, job creation and overall economic growth. The development of Small and Medium Enterprises (SMEs) was more prominent in transitional economies like India and China, given the significant role played by them in generating employment, increasing exports, at times, acting as multipliers to heavy industries and working towards accentuating overall economic growth. SMEs were also springboards for technological innovation and entrepreneurship, along with playing a vital role in engagement of poor skilled manpower (Mishra, 2013: 61). Rather than depending upon a few big industrial houses or the state to drive industrial development, by focusing on SMEs with the aim of catalyzing their employment-generation capacities and widening their spread in regional terms, these enterprises carry the potential of making significant contributions to encouraging GDP growth. Apart from the manufacturing sector, SMEs are also visible in the services sector.

In the area of manufacturing, in both India and China, the SMEs have adopted the strategy of clustering. Clusters refer to various industrial colonies composed of enterprises in identical and closely connected industries in specific areas; an SME cluster can maximize regional accessibility to produce and market by capitalizing on joint ventures, cooperation and alliances (Liu, 2008:51). The cluster economy is made up of professional towns and villages functioning as production hubs, with one or more towns focusing on one product (Ibid). Clustering helps in increasing productivity, share ideas of innovation and production resources through closer networking and linkages.

For the vibrant growth of the Micro, Small and Medium Enterprises, in addition to financial assistance, a fair and conducive environment through stable macro-economic stability, incentive policies and institutional support systems is very essential. While the Industries Development and Regulation Act of 1951 was the basic framework for industrialization, which also had provisions giving importance to small-scale industries, it was through the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 that a new impetus

towards technological upgradation and spurred greater entrepreneurship was provided.<sup>5</sup> Also, through new credit policy announced in 2005 and new initiatives by the Small Industries Development Bank of India (SIDBI) towards lending of loans, saw further advances being made by the SMEs. China's SMEs were governed by the Small and Medium Enterprises Promotion Law, promulgated in 2002, which aimed at improving policies and measures concerning development of SMEs; to remove institutional barriers hindering their development; to create a level playing field; to promote scientific and technological innovations and upgrading; to optimize their industrial structure; and to enhance their overall quality and competitiveness (Jia, 2006: 141). According to the classification of SMEs, provided through the Interim Categorizing Criteria based on the Promotion Law, an enterprise falling under this category had to employ a maximum of 2000 people, and have an annual revenue not exceeding RMB 300 million; so, while the medium-sized enterprises needed to employ a minimum of 300 people, with their annual revenue and total assets not exceeding RMB 30 million and 40 million respectively, all the rest falling below these stipulations were termed as small enterprises (Liu, 2008: 39). To integrate the issues of small business development into its overall planning, the Chinese government also launched initiatives like preferential taxation policies at various levels, setting up separate funds to encourage technological innovations, adjusting credit structure and improve financial services (Jia, 2006: 143-144). However, in both India and China, there were constraining factors like wariness of the financial agencies, in their perceptions regarding the credit worthiness of the SMEs, 'excessive' monitoring/intrusion of their production-economic activities, and issues of labour struggles. Another key issue in relation to the SMEs was their high proliferation. While the loosening or relaxation offered to boost investment and spur growth, there has also been unregulated expansion of the enterprises leading to improper monitoring. The lack of such monitoring mechanisms also creates grounds for the managements/owners to cut corners, especially in the issues of labour relations, wages, entitlements and working conditions.

In the backdrop of the changing economic conditions and the growing need for diversified industrial production, both Mumbai and Shanghai have witnessed the accelerated growth of the non-state industries, especially Small and Medium Enterprises. As pointed out earlier in this paper, certain flexibility has been adopted to broaden the comparative boundary in relation to

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<sup>5</sup> According to the MSMED Act, in the manufacturing sector, the definitions for Micro, Small and Medium Enterprises were made through the level of investments undertaken in plants and machinery in financial terms. So, while the ceiling for Micro enterprises were INR 2.5 million, for Small and Medium ones it was more than INR 2.5 million (not exceeding INR 50 million) and more than INR 50 million (not exceeding INR 100 million) respectively.

Shanghai, beyond its municipal limits and suburbs, to include the nearby Zhejiang province lying on the Yangtze river delta. The adoption of this flexibility is in the context of Zhejiang being considered as the hub of Small and Medium Enterprises in the country. In a similar vein, the description of Mumbai has also been taken to include the suburban parts of the metropolis.

Given below are the details of the existing Micro, Small and Medium Enterprises and artisan units in Mumbai:

<b>NIC* CODE</b>		NUMBER OF UNITS	INVESTMEN T (LAKH Rs.)	EMPLOYMENT
<b>NO.</b>	<b>TYPE OF INDUSTRY</b>			<b>EMPLOYMEN</b>
20	Agro based	95	2939	2025
22	Soda Water	0	0	0
23	Cotton textile	250	8688	6435
24	Woolen, silk & artificial tread based clothes.			
26	Ready-made garment & embroidery			
25	Jute & jute based	0	0	0
27	Wood/wooden based furniture	13	313	176
28	Paper & Paper products.	69	2196	832
29	Leather based	72	1531	1659
31	Chemical/Chemical based.	0	0	0
30	Rubber, Plastic & petro based	562	138977	7019
32	Mineral based	0	0	0
33	Metal based (Steel Fab.)	684	55800	8168
35	Engineering units	250	1971	2779
36	Electrical machinery and transport equipment	549	20107	7164
		549	20107	7164
	Repairing & servicing	68	1449	691
1	Others	3977	77928	158845
<b>TOTAL</b>		6589	311899	195793

\* **NIC** refers to National Industrial Classification. Codes are given on the basis of this classification to various products/sectors in manufacturing

Source: District Industries Centre-Mumbai, Micro, Small and Medium Enterprises Development Institute, Ministry of MSME, Government of India, 2013, URL: <http://dcmsme.gov.in/dips/DIPS%20Mumbai.pdf>, Accessed on 10 July 2014.

There are around 14, 500 small, medium and large-scale industrial units in the metropolis, of which around 3, 165 are functional SME units in the suburban districts; there are broadly nine industrial clusters in the city, which include toys (plastic), readymade garments, hosiery, machine tools, engineering equipment, chemicals, packaging material, hand tools and plastic products (District Industries Centre-Mumbai, 2013: 10).

Along with Shanghai and Jiangsu, Zhejiang forms part of the Yangtze delta, which is one among the three major industrial zones of China. One of the smallest provinces in the country-occupying 1.06 percent of China's land surface-and neglected by the central government in terms of financial-infrastructure support, Post reforms the province had made great strides in industrial expansion through the opening of private enterprises, mostly owned by individuals or families. Today, the province has the highest proportion of private companies in the country employing 6,000, 000 people and having sales' turnovers estimated at 682,000 (Shi and Ganne, 2006: 4). The SMEs in Zhejiang have recorded creditable successes through the adoption of some novel ways like implementing their own trade poles and networks for the locally manufactured products, thereby giving emphasis on finding a local base, in addition to the focus on exogenous networks on an international scale. The development of the province is also underscored by the Wenzhou model named after a prefecture-level municipality in the province. Under this model, which was formulated in the backdrop of its mountainous terrain and high population density along with natural resource shortage, the households were encouraged to set up household workshops and measures were undertaken to explore business affiliation (*guahu*); further, household industrial and commercial firms were linked to established collectively-owned or state-owned enterprises, by the payment of a fee for using its name, thereby the former, thus gaining more flexibility and autonomy (Sun et.al, 1999: 81).

The table given below, details the distribution of different sectors in regional clusters in Zhejiang:

Districts in Zhejiang Province	SME clusters in the nature of industrial sectors
Hangzhou	Machinery and equipment, electro-communication, electrical appliances, medicine
Ningbo	Spinning, Printing and dyeing, machinery, pharmaceuticals, chemical industry, chemical fibres
Jiaxing	Spinning, leather, machinery and instruments
Huzhou	Spinning (feather spin, printing and dyeing), garments, construction materials
Zhoushan	Aquatic products, drugs based on ocean products, machinery
Wenzhou	Machinery, plastics, packaging and printing, instruments, electronic components/appliance, leather
Taizhou	Auto parts, craftwork, shoes, plastic
Jinhua	Machinery, hardware, instruments, farm processing, weaving and spinning, garments
Quzhou	Fertilizers, construction materials (cement), electricals and machinery
Lishui	Timber manufacturing, craftwork, farm produce processing

Source: Chen and Cao (2006), "SME Clusters in China: One Way to build up innovation capabilities", *Tech Monitor*, No. 38, July-August

## **Leather-based SMEs in India and China: Clusters in Dharavi (Mumbai) and Wenzhou (Shanghai-Zhejiang)**

Leather industry has been considered by the governments of both China and India having the potential for growth and catering towards exports. Therefore, efforts were undertaken to promote efficiency and ensure expansion of the sector in the era post economic reforms. The Small and Medium-scale sectors were earmarked in both the countries as having the best production techniques for footwear and other leather-based products. The governments in both the countries during the economy's liberalization categorized the leather-based industry as a 'sun-rise' industry having the capability and features to further grow, widen its spread, thereby providing employment opportunities and catering to the rising consumer demands of the people. In both countries, the leather—based enterprises do not fall under the formal, organized sector. Most of these industries are individual or family-based entrepreneurial initiatives, encouraged as well as incentivized by the state to boost diversified production, promote innovations and provide jobs, to both the skilled and unskilled. Given that these enterprises are largely labour-intensive, the latter point becomes further significant. The table below calculates the production turnover, employment figures and net value of leather—based industries in India over the past few years:

Leather-based Industries	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Number of Workers</b>	114467	122524	119256	118154	126604	146704	148575	189554	212812	218336	251424	261364
<b>Total Persons Engaged</b>	138225	146230	146396	145964	149878	173892	174122	221706	250983	255095	292657	304811
<b>Value of Output</b>	993281	1046883	1035066	1143013	1232374	1396576	1720474	2380127	2458139	3055433	3126391	3591132
<b>Net Value Added</b>	115523	132476	122258	137254	135011	144654	233945	281491	341024	460652	459686	568986
<b>Profits</b>	24810	37702	28268	39078	35959	51292	82829	69724	81880	133441	99234	135645

**Figures in INR (Lakhs)**

Source: Government of India, Annual Survey of Industries-Calculated for Various Years, URL: [http://mospi.nic.in/Mospi\\_New/upload/asi/ASI\\_main.htm?status=1&menu\\_id=88](http://mospi.nic.in/Mospi_New/upload/asi/ASI_main.htm?status=1&menu_id=88), Accessed on 21 June 2014.

While no concurrent figures for Chinese leather industries are available at the time of writing this paper, through the course of this project and during the field visits, these need to be collected and collated. However, certain secondary literature on area-specific leather-based enterprises like in Wenzhou points to the rising demand and growth of the sector. The active promotion and support for diversified production systems have also resulted in the unregulated increase in the number of private enterprises, thereby further solidifying as well as strengthening their unorganized and informal nature. This unorganized feature has also transmitted itself in the labour relations in these enterprises, reflecting in the casualization and informalization of employment.

Since the study is seeking to identify Dharavi in Mumbai and Wenzhou in Shanghai-Zhejiang as the comparables, some description of the leather-based industries in these locations needs to be provided. In terms of terrain, physiological/geographical concerns and socio-economic outlook, both the areas have significant differences. Dharavi, which is taken together with the place named Sion, is in the middle of Mumbai metropolis and is one of the biggest slums in Asia. On the contrast, Wenzhou lies in the Zhejiang province, away from the

suburban limits of Shanghai metropolis and has a rural setting, with a mountainous terrain. So, even while attempting a comparative to identify the points of possible convergences and divergences, the nuanced regional and geographical differences between the two locations must be given cognizance.

The table below provides an account of the Leather clusters in Dharavi

1.	Principal Products Manufactured in the cluster	Ladies Hand Bags, Footwear and Safety Shoes, Sofa Sets and other Leather
2.	Name of the Special Purpose Vehicle	Dharavi Leather Goods Cluster Private Ltd No. 194/A, GALA No. 5, Universal Tanneries Compound, Kala Killa, Dharavi, Mumbai- 400
3.	No. of functional units in the cluster	100
4.	Turnover of the clusters	INR 1500/- Lakh approx.
5.	Value of Exports from the clusters	NA
6.	Employment in cluster	1000
7.	Average investment in plant & machinery	Rs.150, 000, 00/-

Source: District Industries Centre-Mumbai, Micro, Small and Medium Enterprises Development Institute, Ministry of MSME, Government of India, 2013, URL: <http://dcmsme.gov.in/dips/DIPS%20Mumbai.pdf>, Accessed on 10 July 2014.

Presently, there are about 10-12 tanneries which are operational in Dharavi; however, these do not treat the leather completely and rather source vegetable tanned hides or semi tanned leather from within the state of Maharashtra (Baramati, Miraj) or from Chennai, Kanpur and Kolkata and then carry out only the finishing work. Currently, Dharavi houses over 5000 leather goods manufacturers, wherein each unit employs between 2-20 employees.<sup>6</sup>

Wenzhou, which used to be among the poorest regions of China, which transformed itself post the market reforms, by developing the private sector in the manufacturing

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<sup>6</sup> A significant section of the workforce employed in the leather-based industries in India come from the Scheduled Castes (SC), a marginalized social group who have faced decades of segregation and discrimination. Under the Indian Constitution, the Scheduled Castes, also known as Dalits, are empowered through affirmative action. In a detailed survey conducted by the Ministry of Labour and Employment, Government of India in 2007, in 263 leather-based manufacturing units across the country's 11 states, it was found that 45.5 percent belonged to the Scheduled Castes category. Government of India, Ministry of Labour and Employment (2008), *Report on Leather Industry Including Footwear and Other Art Works in India 2007-2008*, Chandigarh: Labour Bureau.



sector, has come to be known as the 'footwear capital of the country'. While the traditional footwear industry had a long history of over 500 years in the region, from the days of the Qing period, post-1978 Reform and Opening Up, Wenzhou had metamorphosed into a highly specialized and coordinated industrial cluster consisting of over 4000 shoemaking units, 2000 leather enterprises, 380 footwear machine manufacturers, 100 footwear accessories and ornamental materials enterprises, 50 footwear designer studios and numerous other related research institutes, training schools and family workshops (Huang, et.al, 2008: 410-11). By implementing clustering in the footwear and leather accessories enterprises, firms could accumulate technological capabilities, vitalize marketing skills, deepen the division of labour in the production process to small entrepreneurial firms to enter the industry and lower the levels of fixed investments, allowing different entrepreneurs to the option of choosing different production techniques based on their financial resources (Ibid).

### **Labour Relations and Social Security**

The onset of globalization and accompanied liberalization of the economies of nation-state, while leading to changes in the production structures, has also reconfigured the labour relations. In transitional economies, the diversification emerging from the shift towards envisioning a greater role for market has led to changes in the labour system. Casualization and Informalization came to occupy the centre stage in enterprise management-workers relationship. With the need to break the system of long-term, permanent system of employment, contractualization was introduced to give emphasis on efficiency and competition. Driven by the understanding that excessive job and wage security resulted in the undermining of management and thus the performance of the workforce, the introduction of the contracts was a further step in the introduction of marketization in the arena of labour. This induced great flexibility and labour mobility, which also gave enterprise managers the power to check the incompetence of the workforce in line with the needs and dynamics of market reforms. Synonymous with the informalization and contractualization was the flexibilization of labour practices, particularly in the private enterprises, providing options for the incorporation of non full-time, temporary, seasonal and casual work that included full-time temporary work in formal organizations, self-employment and those employed by the self-employed (Cooke, 2011: 102). This diversification of the labour relations-in the form of informalization, casualization and flexibilization- also signify the commodification therein, and aids in the developing of a labour

market. Concurrent with these features of labour relations is the visible mobility of the workforce. The Small and Medium manufacturing enterprises attract huge inflows of migrant labour, which mainly come from the hinterland. The migration is conditioned by both the 'push' and 'pull' factors-the push resulting from the lack of adequate facilities or opportunities in the interior regions and the pull, emanating from the aspirational attributes synonymous to the industrialized, urban centres.

By focusing on the need to maintain an unrestricted or rather unobtrusive approach towards the movement of workers between their jobs, the state also seeks to maintain its strategy of playing the role of facilitator rather than a direct player. The maintenance of a highly mobile workforce, especially in the secondary sector, also helps in reducing the burden of the enterprises in terms of payment of entitlements and other accrued benefits due to the short-term nature of the employment; however it leaves the workers vulnerable to vicissitudes in their lives in the long-term. Employers in a globalized economic environment favour flexible labour strategies, where they ask for the freedom to hire workers for a fixed term even for perennial activities and discontinue their services when not needed (Sood, et.al, 2014: 58). This is particularly relevant and topical for the non-state sector, specially the Small and Medium Enterprises. The informal nature of employment and the mobile nature of the workforce creates challenges for proper monitoring, inspections and regulations of the enterprises. Even though the labour system in both India and China are administered by legislative frameworks with stringent provisions for non-adherence or circumvention of obligations for wages and entitlements, the key question emerging is in the form of level of implementation.<sup>7</sup> Further, the legislations and arbitration mechanisms available for the workers remains stratified and segmented in favour of organized formal enterprises. The case of Social Security, which is intrinsically linked to labour relations and forms a critical part of the employer-employee matrix, is also similar to the dynamics in the employment system. While both India and China have concentrated upon provisioning legislative frameworks for the dissemination of social policies, formulated centering around the model of employment-based social insurance, there exists a fragmentation of the schemes in the absence of a key unifying or cementing agencies apart from the inherent challenges posed by the fluid and transient nature of the unorganized-informal sector. While there have been

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<sup>7</sup> While China's labour administration system are governed by 3 key legislations brought into effect in 2008 namely the Labour Contract Law, Law on Labour Dispute Mediation and Arbitration and Employment Promotion Law, the institutional framework for Indian industrial relations system is defined by Trade Unions Act 1926, Industrial Employment (Standing Orders) Act 1946, Industrial Disputes Act 1947 and Contract Labour (Regulation and Abolition Act). (Casale and Zhu, 2013: 11); (India Labour and Employment Report, 2014: 119)

significant efforts undertaken to enact a comprehensive social security system for the unorganized sector, there are limitations in the overall mosaic. Even though both the countries have different political systems, the devolution of powers and responsibilities to provincial and sub-provincial levels under federalism in a way, limits and underplays the role of the central government. Thus, even though various national laws on social security exist, these are conditioned and percolated through governance mechanisms-agencies below the centre, which very often have their own share of laws and regulations. While this emergent duality and duplication may at some levels prove to be complementary, it also creates challenges and uncertainties resulting in asymmetry. To compound matters, features like the *Hukou* system of registration in China also lead to non-level playing fields for migrants, who are distinguished as 'second-class status' compared to the permanent residents. Given the transient and informal nature of the enterprises, difficulties also arise in organizing the workers through unionization. Even though NGOs and support care system are gradually making themselves available for the workers, they lack the penetrative capacity and vibrancy of a proper trade union, which is a disadvantage in the sense of lack of effective means to articulate workers' interests and demands.

With specific reference to both the comparable regions of Dharavi and Wenzhou, the availability of concentrated secondary materials analyzing the labour relations and social security system is extremely scarce. Therefore, while this creates difficulties for understanding the data and coming up with analysis, it also entails the need for undertaking serious field work and through this, seek responses from a wide range of actors in order to generate data and disseminate the dynamics involved therein. Through two available studies based on surveys conducted in leather-based industries in Dharavi, Jesim Pais studies the workforce through wage earnings and migration-labour mobility. Diverse work contracts existed between workers and the employer, which were informal in nature, lacking written documents that defined the terms and conditions of employment; while the waged employment was divided into piece-rated (for workers who were more skilled) or time-rated categories, upon adjustment of workers' monthly earnings to hours of work per day and in comparison with the statutory minimum wage levels set for the industry, it was found that 87 percent of the workforce received wages below the statutory norms (Pais, 2006: 710). Also, according to Jesim Pais, in comparison with time-rated workers, the skilled piece-rated workers had more flexible working hours even though there were also occurrences of frequent complaints regarding unfair piece rates and wage revisions. In another study by Jesim Pais on labour mobility and migration in Dharavi's leather-based enterprises, it was found that while 18 percent of the workers came from within the various

districts of Maharashtra, 70 percent of the workers came from other states/provinces of India. The migrant workers maintained close links with their place of origin; the strength of these links were reflected in recruitment methods. While there was a total absence of any form of formal public or impersonal announcement for employment opportunities with no newspaper advertisements or posters in public spaces announcing job vacancies, employment was obtained by having access to a network of relationships within the industry and outside, that had vibrant links with caste-community (Pais, 2006: 18-19). This presents some interesting insights into the workings of the leather industrial clusters in Dharavi. As stated above, there are no major reference materials looking at the labour relations at a similar level in the industry in China. However, occupational safety is a cause for concern in this sector. Occupational Safety and Health problems caused by noise, dust pollution and ailments caused by the usage of toxic organic solvents/chemicals without proper regulation like benzene have been rampant under the market reforms in China. Even though the party-state did introduce stringent regulations, there has been improper and lackadaisical implementation at the ground-level due to the lack of adequate staff and resources; the footwear workers also lack any legal protection against exposure to such solvents (Chen and Chan, 1999: 793-811).

The analytical background study of the Small and Medium-scale industries with reference to leather enterprises in this paper has sought to provide some essential understanding. While at this stage of the overall project, there is definitely a lack of adequate reference materials and other scholarly resources to further discern from the relevant sector, thereby underlining the importance of more robust fieldwork, the brief study does portend to areas of convergence and divergence between India and China. Though the scales of the economy between the two countries do significantly differ, the area also provides scope for more sharper and sustained focus, in order to possibly learn from each other's experiences.

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