

The Indian National Policy on Electronics

The electronics industry estimated at USD 1.75 Trillion is the largest and fastest growing manufacturing industry in the world. According to the Indian Ministry of Communications and Information Technology, electronics hardware production is projected to grow from US\$ 20 billion in 2009 to US\$ 400 billion by 2020, including exports of US\$ 80 billion. However, at the current rate of growth the domestic production could only cater to a demand of USD 100 billion in 2020 as against an expected demand of 400 billion the rest would have to be met by imports. If this is in fact the case electronics imports could even exceed oil imports by 2020¹.

Therefore, the Indian Government has issued a national electronics policy (NEP) in 2012 with the ambitious vision: *“To create a globally competitive electronics design and manufacturing industry to meet the country's needs and serve the international market”*. More so the Government wants to make India a *‘global hub for electronics system design and manufacturing (ESDM)’*. Challenges according to the government to achieve this goal are infrastructure gap, tax structure, supply chain and logistics, ***inflexible labour laws***, limited R&D focus, inadequate funding and limited value addition.

At present, India meets about 75-80 per cent of its electronic requirements through imports. To change this government plans:

- To incubate a \$400 billion in Electronic System Design and Manufacturing (ESDM) sector which will employ over 28 million or 2.8 crore people over the next 8 years.
- An institute for semiconductor chip design has been proposed, to satisfy the demand for skilled workers in the sector, the policy aims to put ‘special focus’ on increasing postgraduate education.
- To build a strong supply chain of raw materials, parts and electronic components to raise the indigenous availability of these inputs from the present 20-25 per cent to over 60 per cent by 2020.
- To set up a Semiconductor Wafer Facilities for the fabrication of chips and chips components.
- To provide preference to domestically manufactured electronics goods especially in public procurement.
- Set up 200 Electronic Manufacturing Clusters (EMCs) and related infrastructure.
- Rationalize and establish Industry-friendly tax regime to attract global investments. The government wants to *“aggressively market India as an investment destination for ESDM among leading nations and Companies”*.
- Facilitate sourcing, stockpiling and indigenous mining of rare Earth metals required for electronics manufacturing.
- Create incentives for relocation to India of electronic hardware manufacturing units facing cost pressures in developed countries.
- Promote export of electronics products to all countries including emerging regions like Africa, South America and Asia by entering into suitable bi- or multilateral agreements.

¹http://deity.gov.in/sites/upload_files/dit/files/NPE_Notification.pdf accessed 29/04/2013

- Set up institutional mechanisms within the Department of Information Technology for mandating compliance to standards for electronics products.

It is of concern that there is no reference to the potential social or environmental impacts of scaling up the electronics industry in the policy. However, it does mention a strategy to facilitate environment friendly E-waste handling policies:

- Create a mechanism with industry to streamline the implementation of e-waste (Management and Handling) rules 2011 including restrictions on usage of hazardous substances as per global best practices.
- Help streamline procedures to prevent e-waste dumping in the country.
- Facilitate implementation of Extended Producers Responsibility under the e-waste Rules 2011 for electronic hardware manufacturers and recyclers.
- Promote development of e-waste recycling industry for domestically produced e-waste.
- Create specific thrust within Electronic Development Fund for the development of IPR and electronics products in green technologies.

Some of the major electronics products which are manufactured in India today are computers, mobile phones, medical equipment, consumer electronics and components. While the sector continues to expand and currently provides employment to more than 4 million people, workplace standards including labour practices, occupational and environmental health & safety have become a growing concern.

Another concern is the widespread practice in the industry to use contract workers to fill previously permanent and direct positions. Increasingly, workers provided by agencies are used to fill 'core' jobs, but they are not given any opportunity to transition to direct permanent employment. In many component manufacturing factories contract workers already outnumber permanent employees. Contract workers are in a constant state of job insecurity because they are never guaranteed consistent employment. It is one of the forms of precarious work and workers are paid less than their permanent colleagues. Due to the excessive use of contract workers and the trend of replacing regular employees by contract workers, the employment situation for large groups of workers in India is deteriorating. Legally mandated benefits (e.g. medical care, health insurance, maternity benefits etc.) are often circumvented. The rights of contract workers to organise and their collective bargaining rights are being undermined as their principal employer (the company) does not consider them as their own workforce but the labour agent's workforce.

Trends in Mobile Phone Manufacturing in South India

The Nokia Tech Park SEZ opened in 2006. It provides employment to approximately 25,000 people.

Some of Nokia suppliers such as Foxconn, Perlos and Salcomp are located within the same SEZ but Nokia also sources components for the mobile phones from other suppliers such as Flextronics outside the SEZ. By 2011 Nokia had already produced 500 million mobile phones. Phones produced in the SEZ are sold on the domestic market and are also exported to other Asian and European countries.

Nokia is not only exempted from paying export tax but also reimbursed value added tax (VAT) by the government of Tamil Nadu for its sales within India. Nokia was exempted from paying electricity charges for the first five years of production and was guaranteed uninterrupted power supply.

The manufacturing in Sriperumbudur is characterized by a two-tier system with directly hired permanent employees who start in the company as trainees and contract workers. The time from starting as trainee to confirmation as permanent employee is usually two years, even though their training often lasts less than a month and they do the same work as regular operators. Once a worker has fulfilled the trainee period, there is no obligation for the company to give the worker a permanent status. There is no transparent process for promotion to permanent staff.

Employment Status of Workers in the Companies

Company	Contract (Agencies)	Trainees	Permanent	Total
Nokia	2,209 (3)	2,973	6,182	11,364
Flextronics	1,020 (4)	0	680	1,700
Foxconn	2,600 (5)	600	2,600	5,800
Salcomp	400 (2)	2,800	800	4,000

Source: Research by CIVIDEP India 2011.

The above table shows that 54% of Nokia's workers have a permanent status, 40 % at Flextronics, 45% at Foxconn and 20% at Salcomp. This means that on average at these four companies 60% of the workforce are contract workers under precarious employment conditions.

Nokia hires contract workers for different processes but the majority of these contract workers are hired for assembly and warehouse operations which are in fact core jobs in the labour process of mobile phone manufacturing. Despite this, these contract workers will not become regular workers as stipulated by the India Contract Labour (Regulation and Abolition) Act 1970.

Cividep found a significant wage difference in wage levels between permanent and contract workers. Nokia trainee's contracts include the statement: "it should be specifically understood that that you [the

worker] are not entitled to any benefit available to the regular employees of the company. But it is up to the management to permit you to avail such benefits which they deem fit in your case [...]"

Salary range at the Four Companies in INR

Company	Salary range		
	<i>Permanent workers</i>	<i>Contract workers</i>	<i>Trainees</i>
Nokia²	6,000–11,666	4,400	4,820
Salcomp	4,600-6,000	4200	4,200
Foxconn	8,000-9,100	5,000	5,000
Flextronics	5,300-6,000	4,130- 5,500	-

Source: Research CIVIDEP 2011

The wage differences between contract workers, trainees and permanent workers violate the ‘equal pay for equal work’ principle enshrined in Article 39(d) and Article 14 of the Constitution of India as well as the Equal remuneration Act of 1976. As a result of the research Nokia decided to look at shortening of the training period and to improve circulation of contract workers.

Even though companies are paying their workers more than the legal minimum wage, workers are unable to meet their basic living expenses and to save for their future. These multinational companies were attracted to South India by favourable investment conditions including land at concessional rates, tax exemptions, VAT reimbursement, all of which helps them save on costs but they are still unwilling to pay their workers a living wage.

²Nokia has signed a new wage agreement with its union in March 2013 which will increase the wage of at least 3,000 employees of the total 9,000 working at the facility to Rs 21,000 a month, up from the Rs 7,000 they were earning before. However, Cividep assumes that primarily permanent workers will benefit from the increment and is concerned how much the contract workers’ salaries will be hiked.

(Source: <http://timesofindia.indiatimes.com/tech/careers/job-trends/Nokias-Chennai-staff-gets-steep-salary-raise/articleshow/18859715.cms>)

“The labour costs of a Nokia handset”



Conclusion

The electronics sector in India witnesses many labour rights violations and low enforcement of labour laws. The majority of electronics manufacturing takes place in Special Economic Zones (SEZs) in which the implementation of labour laws is further more relaxed. The high use of contract workers creates job insecurity for a large part of the workforce, lack of factory unions leaves workers with little bargaining powers and the salaries that they are paid by the multinational original and component manufacturers are too low to sustain a decent livelihood.

With the development of new Electronic Manufacturing Clusters (EMCs) including facilities to produce chips and chips components the occupational health and safety for workers is most likely to deteriorate. It is of great concern that the National Policy on Electronics does not take these issues into account and instead is citing inflexible labour laws as a challenge to economic development. Making labour laws more flexible by granting exemptions to companies as is already done in SEZs the protection of labour rights and efficient enforcement of labour law will become more difficult. At the losing end will be the workers who can't exercise their rights because the government's interest is to attract foreign direct investment rather than the welfare of the workforce.