

Beedi Industry and Welfare of Workers in India

Review of Policies and Literature Executive Summary

Beedi Industry in India

The beedi industry is a labour-intensive cottage industry. The industry rests on informal employment within the unorganised and organised sector. Most units in the beedi industry operate with minimal state regulation resulting in poor working conditions and labour-related malpractices. According to official estimates, the population of beedi workers amounts to about 48 lakh workers,¹ as of 2006. However, local census carried out in states showed that the official figures of the population of beedi workers were unreliable. As per available data, 78 % of beedi workers resided in rural India. The poor and landless make up a major proportion of the beedi workforce. Other Backward Classes (OBCs) accounted for nearly half of all beedi workers. 20% of beedi workers were Muslims, 17% were general caste Hindus and 15.2% were Scheduled Castes (SCs). The percentage of women in the workforce was as high as 65%. Women also made up 81% of the total number of household workers engaged in the industry. 11% of the total workforce comprised children. Majority of the men were labellers or packers where as, women were mostly employed as rollers. The percentage of women working as supervisors and helpers was low at 0.6% and 0.2%, respectively.

According to the Ministry of Labour, there are approximately 300 major manufacturers of branded beedis in the country. Apart from the major manufacturers, most others are small-scale manufacturers, which includes households that roll beedis and sell them in the local markets. In the early 20th century beedi manufacturing was carried out in factories, but in the last few decades manufacturing shifted to households and small work sheds. Currently, only 10% of the total beedi manufacturing takes place in large enterprises of registered companies. Beedi manufacturing is undertaken largely in Madhya Pradesh, Tamil Nadu, Andhra Pradesh, Karnataka, West Bengal, Bihar, Odisha and Uttar Pradesh.

The manufacturing units currently operational in the country can be classified into two categories viz. [a] registered companies and [b] unregistered companies. The registered companies are the large entities that produce more than 20 lakh branded beedis per year, pay excise duty on their product and are legally bound to follow labour laws while the unregistered companies are exempt from tax payment as they manufacture less than 20 lakh beedis a year. The registered companies are 'organised' and they are bound to adhere to labour laws as opposed to the unregistered companies, which come within the ambit of the 'unorganised' sector, and are not required to adopt the prescribed labour welfare measures.

The different forms of production relations within the industry are - [a] direct formal relations, [b] direct informal relations, [c] indirect informal relations, [d] indirect formal relations and [e] bearing no allegiance to any person or company. The production systems in the beedi industry also vary considerably. First, in the factory system, factory-based workers roll beedis under the supervision of the manufacturers. Second, the manufacturers recruit home-workers directly who roll beedis at home and return them to the company. In the contractor system, workers roll beedis in worksheds or out-workers roll them in their homes. The rolled beedis are deposited with the company, where the remaining processes such as packaging and labelling are completed. There also exists a fourth system termed 'sale-purchase system' in which the home-based worker purchases the raw materials from the company or the contractor and then, sells the finished product back to the company or contractor. The worker in the sale-purchase method is paid an amount that is equal to 'wages' prevalent in the other systems. There were also a handful of beedi cooperatives functional in India. At present, the cooperative movement in the beedi industry is dormant.

¹ Cited in the Parliament in response to a question in December 2015 regarding the population of beedi workers

Taxation and Pricing

Both the cigarette industry and the anti-tobacco lobby argue, albeit from diametrically opposite positions, that despite beedi's sizeable share in the total tobacco consumption in the country, taxation on beedis has been relaxed over the years. The tobacco industry, dominated by large cigarette-manufacturing corporates, seeks to draw attention to beedis, so as to wean the tax-pressure off cigarettes. The anti-tobacco lobby argues for increased taxation on beedi in order to directly target the high consumption of tobacco in the form of beedis. In India, excise duty is levied on every 1000 sticks of beedis and the rate varies based on whether beedis are handmade or machine-made. The taxes levied on beedis include Central Value Added Tax (CENVAT), the National Calamity Contingent Duty (NCCD) and Beedi Workers' Welfare Cess (BWWC). Beedi manufacturing units producing less than 20 lakh beedis a year are exempt from this excise. The small producer exemption makes room for many producers who have made false declarations to fall through the cracks without paying due taxes. So much so that excise duty officers are not allowed to carry out enquiries regarding the claims of small producers who wish to avail the exemption unless the Commissioner of Central Excise duty authorises an enquiry.

In 2007, the excise duty on beedis was only 8.8% of the retail price while the tax on cigarettes was in the range of 33.6% to 58.6% of the retail price. The difference in taxation on beedis and cigarettes is vast, despite beedi consumption being the highest in the country. In 2011-12, the tax on handmade beedis was Rs. 14 per 1000 sticks while it was Rs. 26 per 1000 for machine-made beedis. Handmade beedis make up 98% of the beedi market, hence the distinction in the taxes levied on handmade and machine-made beedis has no significant impact on the total revenue. The low excise rate may be seen as a support for the poor consumers of beedis but in the long run the health and social costs of this consumption are immense. Apart from the low excise revenue from beedis, the number of beedis for which tax was paid also shows a steady decline from 1996 to 2007.

Legislations applicable to registered companies

Over the years, legislations and policies aimed at monitoring working conditions and providing social security benefits for the welfare of beedi workers have been enacted by the government.

The legislations applicable to registered companies cover the conditions of employment of workers in beedi manufacturing units along with the workers' entitlements in the form of statutory benefits. The legislations include worker welfare acts viz. the Beedi and Cigar Workers (Conditions of Employment) Act 1966, Beedi Workers' Welfare Fund (BWWF) 1976, Beedi Workers Welfare Cess Act 1976 and social security laws such as the Provident Fund (PF) Act 1952, Employees State Insurance (ESI) Act 1948, Maternity Benefit Act 1961 etc. The relevant legislations are presented in the table given on the next page.

Data collected by the Labour Bureau in 1995 revealed that 77% and 68% of the sampled beedi units adhered to the PF Act and the Bonus Act, respectively. The least compliance was seen in the provision of ESI, ex-gratia payment and group insurance with only 5-6% sampled units adhering to the guidelines. Also, only 21% of units provided maternity benefit to their women employees. Maternity benefits were provided in the sampled units in Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Maharashtra and Rajasthan but not in Bihar, West Bengal and Odisha. As per the International Labour Organisation (ILO), only 62% units in the country provided maternity benefits to their homeworkers while 55% units paid bonuses to their homeworkers and 46% covered them under the PF Act. It was seen that home-based workers were less likely to benefit from the welfare schemes as compared to factory-based workers.

Main implementation hurdles:

- *Non-issuance of identity cards to workers:* Beedi workers require ID cards to avail the provisions under the welfare schemes. As employers were less inclined to issue ID cards to their workers, the Central Government appointed officers within the Welfare Fund to carry out this task apart from local authorities such as panchayats. The total number of ID cards issued in the country in April 2013 covered 79.8% of the total beedi workers. There was a deficit of 12.97 lakh ID cards, which prevented the workers from availing benefits under the welfare schemes. These figures exclude the huge number of workers employed in the unorganised beedi industry with no access to the above welfare schemes.

Legislations	Objectives
• Beedi and Cigar workers (Conditions of Employment) Act 1966	• To regulate the conditions of employment of workers employed in the beedi-manufacturing units.
• Beedi Workers Welfare Fund 1976	• To finance welfare measures for beedi workers
• Beedi Workers Welfare Cess Act 1976	• To levy a cess on manufactured beedis for the purpose of the Beedi Workers Welfare Fund
• Industrial Employment (Standing Orders) 1946	• To direct employers to formally define the conditions of employment in an establishment
• The Trade Union Act 1926	• To provide for the registration of trade unions and define laws relating to registered trade unions
• The Minimum Wage Act 1948	• To provide directions for fixing wage rates in certain employments
• The Contract Labour (Regulation and Abolition) Act 1970	• To regulate contract labour in certain establishments
• The Payment of Bonus Act 1965	• To provide the payment of bonus to workers in certain establishments
• The Equal Remuneration Act 1976	• To ensure equal pay to women and men
• The Provident Fund Act 1952	• To provide for provident funds, pension scheme and deposit-linked insurance fund for employees in factories and establishments
• The Employees State Insurance Act 1948	• To provide insurance in case of sickness, maternity or work injury
• The Maternity Benefit Act 1961	• To regulate employment of women before and after childbirth and to provide maternity benefits
• The Payment of Gratuity Act 1972	• To provide for the payment of gratuity to employees after considerable years of employment

- *Non adherence to minimum wages:* Piece-rate is set by the state government under the Minimum Wages Act. Data published in 2000 on minimum wages in different states showed that the rates differ considerably and so do the industrial and home workers' earnings. Beedi manufacturers seek to shift their operations to states with low wage rates in order to lower their cost of production. Underpayments were found to be a common practice, but workers were not keen to report such matters for fear of losing employment. In the cooperative system, it was seen that the minimum wage rate was consistently adhered to, as the workers themselves were at the helm of affairs.
- *Manipulation or circumvention of legislation:* through tactics such as-
 - o Ceasing factory-based manufacturing and

shifting to recruitment of home-based workers through the contract system

- o Shifting to states with low minimum wage or where workers are poor and not organised to ensure least resistance and demands for workers' rights
- o Adopting the sale-purchase system wherein the employee-employer relation is dismantled leaving the manufacturer with no obligations under any of the above legislations
- o Manipulation of registers with employee details by contractors

Legislations applicable to unregistered companies

Except for the Minimum Wage Act, the other legislations applicable to the registered companies cannot be applied in the case of unregistered

companies. Beedi workers in unregistered companies are entitled to minimum wages as fixed by the government but are not eligible for any other social security benefits such as maternity benefit, insurance, provident fund etc. In this context, the Unorganised Workers' Social Security Act was passed in 2008 for the welfare of workers in the unorganised sector.

According to the Ministry of Labour 1995 figures, the percentage of units and homeworkers in the unorganised sector availing health related schemes is higher than those availing education, maternity benefits, housing, recreation and group insurance. Within this, 63.2% of homeworkers and 45% of units availed the health schemes. More than 50% of homeworkers benefited from the maternity benefit scheme. This is potentially owing to the large number of women who make beedis in their homes.

Majority of manufacturers have moved away from the organised sector to the unregistered and unorganised sector to avoid payment of benefits as per the labour laws. Beedi rollers who form bulk of the workforce in the beedi industry are recruited through unorganised channels falling outside the regulatory domain of labour welfare legislations. Further, the failure to issue ID cards deprives many of the benefits of the schemes.

Conditions of employment – lack of basic facilities, malpractices & health hazards

Working conditions: As per a 1995 survey conducted by the Labour Bureau, there were considerable lapses in the provision of basic facilities for workers in manufacturing units. 11% of units did not provide drinking water to their workers. Urinals and latrines were not available in 24% and 29% units respectively. An alarming 40% of units were devoid of any washing facilities for workers within their premises. Separate facilities for women were even harder to come by. Only 56% of the units had separate toilets for women while a mere 21% of units provided gender-segregated washing facilities. Inadequate ventilation, poor lighting, overcrowding and dust were reported in 35% of the units. Nearly 40% of units reported less than an hour's rest in beedi manufacturing units. The absence of crèches was reported during a public hearing organised by the National Commission for Women in 2003.

Malpractices: Several malpractices were reported in state specific studies conducted in Maharashtra,

Karnataka and Tamil Nadu. In Maharashtra and Karnataka specifically it was seen that of a total 1000 beedis, an average of 50-100 beedis were rejected by the supervisor or contractor ostensibly owing to poor quality. Studies revealed that beedis were rejected if they were of the wrong size, made with poor quality leaves or were loose. 86% contractors admitted to either keeping or destroying the rejected beedis. In some areas, rejected beedis were reportedly sold as 'seconds'. Importantly, workers in registered companies with valid IDs had the least average number of beedis rejected whereas the highest was that of workers in unregistered companies without IDs.

Giving free beedis to manufacturers was a common practice reported in different parts of the country. In case of poor quality leaves, the workers often replaced the leaves using their own money. Analysis of the wages received established that workers employed in registered companies with IDs were the highest paid in comparison to those working in unregistered companies or with contractors. Those working with contractors without IDs were the lowest paid and also suffered a high proportion of rejections. In addition, research showed that the productivity of workers in registered companies, with or without IDs, was the highest at about 120 beedis produced per hour. It is clear that workers with IDs in registered companies are well protected against malpractices due to the formal recognition of their employment.

Other malpractices identified in studies include:

- Worker was charged a few beedis as compensation for electricity used for lighting when she stayed back in the factory to complete her quota
- In some areas the workers purchased the thread and gum used for rolling beedis
- Workers in the unorganised sector did not receive basic work tools to make beedis
- Workers were charged for cards on which records of leave and tobacco provided were recorded
- Records of leave, wages etc. were not regularly maintained by employers
- Passbooks were not issued for home-based workers
- Home-based workers were made to sign for wages higher than the amount paid to them in Madhya Pradesh

- Regular deductions of PF amount from wages did not eventually reach the workers
- In the sale-purchase method of production documented in Karnataka and Gujarat, raw material was sold to the workers by the company and then, the finished product was purchased back from the workers

Lack of unionisation of workers: As per the ILO, in the 1990s, beedi trade unions operated in Rajasthan, Andhra Pradesh, Tamil Nadu, Kerala, Karnataka and West Bengal. The passing of the Beedi and Cigar Workers Act was seen as a boost for unionisation among beedi workers. This served as a warning sign for employers who in lieu of factories resorted to the contractual system and informal channels for recruitment purposes. In most states, trade unions struggled to protect workers' rights owing to an absence of local leadership. Union leaders based in distant cities were unable to address the day-to-day concerns of beedi workers based in villages.

Additionally, organising of beedi workers' unions was difficult as most workers were home-based and spread across different locations. At the same time, in some states, unionisation was actively discouraged by manufacturers and the industry intermediaries.

Violence and security concerns: The absence of proper regulation engenders violence and insecurity within the industry. A study showed that women were compelled to work two consecutive shifts and also, work during the evening shift, which are both in contravention to the labour laws. Sexual exploitation of women workers and partners of male beedi rollers was reported in Nipani, Karnataka. In Nipani, Karnataka it was also reported that the beedi barons discouraged other industries and projects to be established in the 1970s and so they had complete control over the workers in the area.

Discrimination against women: A study of the beedi industry in Tirunelveli, Tamil Nadu revealed that locals considered beedi work 'inferior', as it was perceived as 'women's work'. ILO reported that women beedi workers had lower earnings than men workers despite an equal wage-rate. Among workers who were directly employed by beedi companies, the difference in daily earnings among men and women for beedi checkers was 21%, for labellers it was 48%, for helpers it was 26% and for beedi rollers the difference was 27%. Men's participation in better paying jobs was higher than women's participation.

Several studies have shown that women workers' had poor bargaining power owing to their constant and real fear of loss of employment. There were instances in which women workers dissuaded labour officers from reporting any malpractices during their inspections in Tirunelveli in Tamil Nadu for fear of losing work. Personal relationships between the middlemen and the women within the informal production system were also a tool for sustaining the discrimination against women. Other exploitative practices with women workers included the non-issuance of passbooks or the issuance of unofficial notebooks for younger, older or disabled women. To avoid the payment of maternity benefits, women's partners' names were added to the passbooks and official records. Women were also known to return to beedi work within days after childbirth. It was reported that to meet any deficits in leaves or beedis rolled, women often borrowed money at high interest rates.

Occupational health hazards: Long-term exposure to tobacco and poor working conditions wreak havoc on the health of beedi workers. The presence of large quantities of tobacco in the house invariably puts all the members of the family at risk. Women were seen to be breastfeeding their babies while rolling beedis and without washing their hands. Most women workers were burdened with household chores and care for children apart from working as beedi rollers. Women workers identified their symptoms or ailments stemming from beedi work as aches and pains, coughs, giddiness, stomach pains, burning of the eyes, leg pain, numbness in fingers, breathlessness, acidity, spasmodic pains, piles, urinary burning, white discharge, palpitation, wheezing, fever, worry, joint pains and swelling.

The main disease groups identified are musculo-skeletal problems, gastrointestinal problems, respiratory disorders, neurological disorders, eye problems, skin diseases, gynaecological concerns, cytogenic problems and blood related concerns. Studies also revealed that 97% were unaware of the health hazards of tobacco and 81% were unaware that regular exposure to tobacco could lead to tuberculosis and cancer. There was also a complete lack of awareness regarding safety measures to be followed while rolling beedis. In Andhra Pradesh, none of the workers wore protective clothing such as gloves, masks and socks. Only 12.76% claimed to

wear full shirts and pants or sheets to cover themselves while rolling beedis. The loss of sleep, irregular working hours, back breaking monotonous work, poor nutrition, high stress levels and unhygienic working conditions leave the beedi workers susceptible to all kinds of diseases.

Way forward

Beedi workers are among the worst paid workers across industries. The welfare benefits received are marginal, especially in the case of workers in unregistered manufacturing units or in contractual systems without ID cards. Unregistered companies are not legally bound to provide any social security benefits to their workers. Studies have clearly shown several malpractices and tactics employed by companies and contractors to exploit beedi workers. Beedi workers' lives are riddled with poor working conditions along with discrimination, violence and insecurity. Moreover, long-term exposure to tobacco and poor working conditions wreak havoc on the health of beedi workers. Workers are seen to have a wide range of adverse health conditions owing to beedi related work. In addition to all this, there is much resistance from companies and their operatives towards unionization, which further cripples the workers' bargaining power. In this context, the potential steps that could be taken in terms of future research and advocacy are as follows:

Recommendations for advocacy

- Census of all beedi-manufacturing units whether small or big, registered or unregistered should be undertaken to build a comprehensive database that would provide all information related to units, workers, contractors etc.
- Annual data related to implementation of all welfare schemes should be made readily available.
- Strict implementation of all industry related legislations should be ensured in order to improve

working conditions, provide welfare benefits, regulate production systems etc.

- Registration of all beedi companies should be done immediately.
- Valid IDs should be provided to all beedi workers, regardless of the type of worker-company relation and the nature of company or engagement,
- A review of the taxation policy must be carried out to reconsider exemption to companies making less than 20 lakh beedis a year, difference between tax-levied on hand-made beedis and machine made beedis etc.
- Health conditions commonly seen among beedi workers should be treated without any charge in government and private health facilities. The treatment for these conditions need not be subject to any insurance cover.
- Setting of a national wage rate would ensure uniformity across the country and prevent the shifting of units from one state to another.
- Alternative livelihoods for beedi workers should be identified based on local context. Beedi making is hazardous and housed within an overly oppressive and exploitative system. Beedi workers should be provided livelihoods that pose no health risks and allow them to lead a life of dignity.
- The concerns of tendu leaves collectors and tobacco cultivators should be understood and highlighted as a part of the welfare concerns of beedi workers on the whole. For instance, the collection wage for tendu leaves collectors must be increased for the welfare of the collectors.
- There should be nation-wide efforts to organise beedi worker for these demands.

This document is an executive summary of a longer review which can be accessed at:

http://www.chsj.org/uploads/1/0/2/1/10215849/policy_review.pdf

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National

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