Looking Behind the Smoke Screen
A study of employment practices and supply chain in the Beedi Industry
Background

The Bidi Industry in India

The tobacco industry in India is constituted mainly of bidis, cigarettes and chewing tobacco products. Bidis constitute around 55 percent of the total market turnover, followed by 40 percent for cigarettes and 5 percent for chewing tobacco products.

Table1: Size of the Indian tobacco market

<table>
<thead>
<tr>
<th>Year</th>
<th>Bidi</th>
<th>Cigarette</th>
<th>Tobacco</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>62%</td>
<td>33%</td>
<td>5%</td>
</tr>
<tr>
<td>1995</td>
<td>56%</td>
<td>40%</td>
<td>5%</td>
</tr>
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</table>

Source: Annual Survey of Industries

The Indian cigarettes market is dominated by two manufacturers, ITC with 79 percent market share, followed by Godfrey Phillips with 11 percent market share\(^1\). For the third quarter of the accounting year 2015-16, the turnover for ITC from cigarettes alone was Rs.4141 crores\(^2\). We would therefore estimate the total cigarette sales for the year 2015-16 for India as around Rs.20000 crores. Accordingly the bidi market is estimated as being around Rs.30000 crores and the chewing tobacco products market as Rs.5000 crores. The bidi turnover estimates are conservative, as a significant proportion of bidi sales would be in the unregulated sector, and therefore under-reported in official statistics.

The estimated number of bidis smoked in the country is around 750 billion to 1 trillion bidi sticks (75000 crores to 100000 crore sticks) each year\(^3\). The estimated number of bidi smokers in the age group 15 to 69 years, for the year 2015 was 69 million (6.9 crores), with 61 million (6.1 crores) cigarette smokers\(^4\).

The bidi industry in India employs an estimated 5 million (50 lakh) workers\(^5\). Around 90% of them are women bidi rollers\(^6\). We see therefore that the industry gives employment to an estimated 45 lakh women workers on the assumption that the proportion of women remains unchanged. They are mainly home-based workers, with no regulation of the hours spent each day in bidi rolling. Most of them come from economically as well as socially backward sections of society.

\(^1\) Cigarettes in India, www.euromonitor.com
\(^2\) Business Standard, January 23, 2016
\(^3\) Sunley E M (2008), India, The Tax Treatment of Bidis, World Lung Foundation.
\(^6\) ILO (2003), Making Ends Meet; Beedi Workers in India today – A study of four states.
Research questions

The study seeks to analyse the following research questions with regard to bidi rollers employed in the bidi industry:

1. The industry, as we have noted above, employs primarily women as bidi rollers. Many of them are from vulnerable sections of society. These workers come to the sector despite very low wages as the work is home-based, and can be done without the time constraints of a factory environment. The absence of a factory environment however would mean that there is very little regulation of employment relations or working conditions. How would this situation impact access to a regulated wage and other statutory benefits in the sector? In particular, how would the situation impact the regulation of the Minimum Wages Act in the industry, both in terms of computing Minimum Wage and its enforcement?

2. Whenever demands for better wages are made the industry threatens closure and shifting to other states. The threat was carried out in the late sixties, when the then largest bidi manufacturer, Mangalore Ganesh Beedis shifted production out of Kerala in response to state pressure to implement the provisions of the Bidi Workers Act. The Kerala state responded by setting up a bidi cooperative enterprise, giving its members all the legal benefits as per the Bidi Workers Act and other legal statutes. The circumstances are different today with more competition and a dispersed market. In these circumstances is the threat of closure still a valid weapon?

3. The bidi industry claims to be a sunset industry, with very low profitability. Large manufacturers claim their profits are squeezed by unregulated bidi manufacturers. They claim therefore that they are unable to pay workers better wages. They use the claim of low profitability to get benefits and concessions from the state governments. Is the industry’s claim borne out by the actual financial results of the prominent bidi manufacturers?

To be able to debate the long term profitability and threat of closure and the shifting to low wage states repeatedly used by industry, it would be useful to understand the supply chain in this sector. We have tried to map both the supply chain and the value addition along the supply chain. The industry profitability is also linked to differential value added tax (VAT) rates across states for bidis.

Study coverage

The study examines employment practices and other aspects of the bidi sector in four states: Karnataka, West Bengal, Maharashtra and Madhya Pradesh. The states are among the largest employers of bidi workers in the country. The study also examines financial data for some of the large bidi manufacturers in the country from the four states.

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7 Bidi and Cigar Workers (Condition of Employment) Act, 1966
The study report is divided into three sections, the first dealing with legal issue, in particular the Minimum Wage Act and the bidi industry; the second with actual practices of payment of wages and benefits in the sector; and the third with the supply chain and its impact on employment practices.

We should clarify that the access to workers in the sector was sought through trade unions in all four states. Therefore the workers met and the understanding of employment relations was mostly from workers employed in more regulated bidi factories. The findings therefore are biased towards understanding the employment conditions where there is relatively better regulation. We therefore would argue that the conditions in the industry in general can only be worse than what is reported here.
Section 1: The Minimum Wages Act 1948 and the Bidi industry

The Minimum Wages Act 1948 was introduced as a Bill in the Central Legislative Assembly in pre-independence India. It was passed in 1946 and came into force with effect from 15-3-1948. It is one of the oldest labour law legislations in the country.9

The norms for fixation of the Minimum Wage are based primarily on the recommendations of the Indian Labour Conference in 1957, which envisaged the minimum wage to be at least adequate to support two adults and two children (3 consumption units). There are two other provisions of the Act which are significant. One, Section 3(2)(b) of the Act requires the appropriate government to review the Minimum Wage at least once every five years. Second, Section 25 of the Act holds all contracts at rates below the statutory Minimum Wage as null and void.

The Minimum Wage Act also prescribes a ‘cost of living index’ to compensate for the increase in cost of living with inflation. As the Act requires that the Minimum Wage should be adequate to at least meet minimum family requirements, the argument can be made that the cost of living index should be such that it at least ensures there is no real erosion of real wages, both in the short and the long term. This is an important criterion, as it allows testing of the Minimum Wage fixation method to examine if real wage is protected over time.

However in practice these norms are not implemented in the fixation of the statutory Minimum Wage. In many instances even the notified Minimum Wage is not brought into implementation. Generally, minimum wages are fixed either by time rate, daily rate, or monthly rate, none of which is applicable on home-based workers. The Beedi and Cigar Act, for the first time, moved the fixation norm and declared minimum wages at piece-rate. Each state has since declared a piece-rated minimum wage for bidi manufacturing, although the rate varies from state to state. Despite this, employers find many ways, because of total lack of regulatory intent of the state labour departments, and often in connivance with them, to subvert both the intent and exercise of the Act. The bidi industry is one example of this subversion of the Minimum Wages Act.

The bidi industry is included under the schedule of employment for application of the Minimum Wages Act 1948. In bidi manufacturing, enforcement of the Minimum Wages Act, 1948 is mostly confined to establishments falling under the Scheduled Employment Tobacco (including Bidi Making) Manufactories licensed under the Bidi and Cigar Workers (Conditions of Employment) Act, 1966. Bidi making establishments working without such licenses do not receive the attention of the enforcement authority in the same measure.10 In a study by the Labour Bureau, Government of India of the bidi industry in Madhya Pradesh in April-May 2001, only 55.7% of bidi workers received the minimum wage.11 We can assume as a rule of thumb that nearly half of bidi manufacturing happens in unlicensed establishments. Thus when we talk of the minimum wage and other employment related regulations we are actually looking at only half the population of workers in the sector.

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9 labour.nic.in
10 labourbureau.nic.in/MW3ch7.htm
11 labourbureau.nic.in/MW3ch8.htm
Even among licensed establishments, the rolling of bidis is a home based industry. However the production of bidis is organised in two main forms – (i) factory production- direct or outsourced and (ii) putting out system to home based workers. In the formal factory system, the manufacturing process is carried out within factory premises and under the direct supervision of managers or owners. However, only about 10% of bidi manufacturing takes place within this formal system. Under the putting out system, bidi manufacturers through a network of depots and contractors supply the raw material, tobacco and tendu leaf, to the home based worker, mostly women, who roll the bidis at piece rate and then the rolled bidis are collected by the contractor and brought to the depot of the establishment. Thus, in effect, it is the contractor who acts as the “enforcer” of labour legislation in the sector for bidi rollers. To evade a direct employer-employee relationship, the provision of raw materials by the contractor is recorded as a sale deed and the supply of the rolled bidis as a purchase deed by the contractor. This sale-purchase system has created an institutional gap between bidi manufacturers and the bidi rollers and thereby limiting the bargaining powers of workers with employers as well as the wage-setting responsibilities of the latter, which is shifted it to the contractors who determine the rate of wage in a given area.

Bidi manufacturers have spent years advocating with government thereby creating a complex tax and regulatory incentive framework that favour small-scale bidi manufacturing over larger factory based production leading to this restructuring of the industry. This restructuring puts further strain on bringing accountability and enforcement in the sector. It is in this context that we should examine the ways in which the enforcement of the Minimum Wages Act has been illegally subverted by large manufacturers.

**Minimum wage legislation and the bidi industry in Karnataka**

The bidi industry in Karnataka was in violation of the Minimum Wages Act in the state for the ten year period between 1996 and 2006. The aspects of the case were finally sorted out through a compromise, the legality of which is still questionable. The broad highlights are as summarised below.

The Karnataka government in accordance with the Minimum Wages Act constituted a tripartite Minimum Wages Advisory Committee to recommend the new set of minimum wages for the sector. The Advisory Committee gave its unanimous recommendation on 27 March 1996, based on which the Government on 24 October 1996 published the Minimum Wage Notification to come into effect from 1 November 1996. The salient features of the notification were revision of the minimum wage for bidi rollers to Rs.36.85 per 1000 bidis and an increase in the neutralisation of wage for inflation (Dearness Allowance, DA) to 3 paise per Consumer Price Index (CPI) point (index 1960=100) from the existing 1 paise per point. The employers as a group refused to abide by the notification, even though they had been represented on the Advisory Committee, and they had the opportunity between 27 May and 24 October to bring forward any objections. They were primarily opposed to the increase in VDA to 3 paise per point. They challenged the legality of the notification before a Single Bench of the Karnataka High Court on the ground that proper procedures had not been followed.

The Single Bench gave its order on 9 September 1999 directing the Government to reconsider the

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12 Labour Secretariat, Government of Karnataka, Notification No. LD 249 LMW 93, Bangalore, 24-10-1996
13 Writ petition WP No. 1793/1997 before the Karnataka High Court
matter, while in the interim reducing the DA neutralisation to 2.5 paise per point. It did not however strike down the notification. The employers and the government separately went on appeal against the Single Bench decision before the Division Bench of the Karnataka High Court.\(^{14}\)

On 25 June 2002 the Karnataka Government once again revised the wages in the sector with minimum wage for bidi rollers increased to Rs.65.50 per 1000 bidis and VDA at 3 paise per 1000 bidis.\(^{15}\) The gazette notification was circulated. However under pressure from employers the notification was withdrawn by the Minimum Wages Advisory Committee. The employers said that as the matter of minimum wages was being challenged before the High Court, and was sub-judice, a new minimum wage notification should not be issued.

The Division Bench however on 3 June 2003 dismissed the employers appeal, and upheld fully the Minimum Wage Notification of 24 October 1996.

In September 2003 the employers went on appeal with a Special Leave Petition before the Supreme Court of India.\(^{16}\) The Supreme Court admitted the employers’ appeal. It however refused to give the interim relief of an ex-parte stay on the order passed by the Division Bench of the Karnataka High Court.

In the meantime on 5 May 1997, major employers, including Mangalore Ganesh Bidi, Bharat Bidi and Ceejay Tobacco, signed a bilateral settlement with major trade unions in Karnataka. The All India Trade Union Congress (AITUC) did not sign this settlement.\(^{17}\)

The agreement in its introductory paragraphs claimed that “… the burden cast by the said Notification (1996 Minimum Wage notification) on the bidi industry is so heavy that it may lead to closures of the industry itself and/or inevitable migration of the industry…”, accordingly it was agreed that the rate of rolling 1000 bidis shall be Rs.40, and the agreement would remain in force for three years from 1 April 1997 to 31 March 2000. However, the legality of this agreement which fixed a wage less than the minimum wage as notified and in force at that time was questionable.

The Karnataka government continued to publish gazette notifications every year revising wages as per the Minimum Wage notification of 1996, which was still legally in force as it had not been stayed by the Supreme Court. The gazette notification while acknowledging the pendency of the case before the Karnataka High Court notified the Minimum Wage for the period between 1 April 2006 to 31 March 2007 including basic wage and VDA as Rs.82.16. However the government made no attempt to enforce this notified minimum wage.

In the foregoing context, with the employers taking an adamant stand, many attempts were made to work out a compromise. Finally the government on 24 June 2006 brought out an order constituting a fresh Minimum Wage Advisory Committee for revising the “existing wage rate.”\(^{18}\) It did not clarify

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\(^{14}\) Writ Appeal No. 7936/1999 before the Karnataka High Court

\(^{15}\) Labour Secretariat, Government of Karnataka, Notification No. LD 34 LMW, Bangalore, 25-6-2002

\(^{16}\) SLP No. 18475–6/2003 before the Supreme Court of India

\(^{17}\) Memorandum of Settlement dated 5 March 1997 between workmen employed in bidi industry in the State of Karnataka represented by trade unions and the management of bidi manufacturers under Section 2(p) and Section 18(1) of the Industrial Disputes Act 1947

\(^{18}\) Government order KA/84/LMW/2006
what the “existing wage rate” was. The actual wage rate being paid by the industry was Rs.55 per 1000 bidis, while the Minimum Wage as per the notification in force was Rs.82.16 per 1000 bidis.

Based on the recommendations of the Committee a fresh Notification was issued on 6 October 2006 fixing the Minimum Wage at Rs.60 per day and the VDA at 1 paisa per point.\(^{19}\) As is evident this was a substantial reduction from the VDA notified in the unenforced 1996 Minimum Wage notification. The Minimum Wage itself was reduced by over 25% from Rs.82.16 to Rs.60; while the VDA was reduced by 67 percent from 3 paise per point to 1 paisa per point.

There was much protest from the unions on the new notification, with the AITUC filing an appeal against the Notification. The matter was taken up by the Labour Department and a compromise was worked out. On 31 January 2007, a Memorandum of Settlement\(^ {20} \) was signed between the unions and management in the presence of the Joint Labour Commissioner, Karnataka.

The introduction to the settlement included a paragraph that said “…Both the parties felt that the burden cast by the Notification dated 24-10-1996 is so heavy that the Bidi Industry in Karnataka State will face severe conditions resulting in unemployment of lakhs of workers working in the Bidi industry…”

The highlights of the settlement were as follows:

i. Back-wages up to a maximum of Rs.4500 for bidi workers working from 1996 to 2006, to compensate “…in full and final settlement of all claims, arrears, dues, statutory benefits like Bonus, Leave with Wages, National and Festival Holidays Wages etc., payable to the bidi rollers by their respective employers, for the period upto 5-10-2006, which covers the claims made/raised under notification No. LD 249 LMW 93, Bangalore, 24-10-1996…..”. The compensation was calculated at the rate of Rs.120 per year for the period 1997-98 to 2002, Rs.1000 for the financial year 2002-03, Rs.1200 for 2003-04, Rs.1300 for 2004-05, and Rs.400 for the period from April to October 2006.

ii. The Minimum Wage was retained at Rs.60 per 1000 bidis, per the VDA was enhanced to 2 paise per point over a CPI of 2822 with effect from 1-4-2008.

iii. The employers agreed to pay “guaranteed minimum wage in terms of Clause 7 of the Government No. LD 165 LMW 2006, Bangalore, 6-10-2006…to home workers also”.

iv. The settlement would be “brought to the kind attention of the Supreme Court and the appeal to be withdrawn.”

Accordingly, the Supreme Court passed its order on 5 February 2008\(^ {21} \) disposing off the appeals as not pressed. The legal struggle around the 1996 Minimum Wage Notification final ended after ten years. There are some clear issues of labour law violation that need highlighting in the decade long struggle.

Section 25 of the Minimum Wages Act, 1948 clearly brings out the illegality of any settlement whereby the employee relinquishes or reduces her/his right to a minimum wage. It reads: ‘Any

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\(^{19}\) Labour Secretariat, Government of Karnataka, Notification No. LD 165 LMW 2006, Bangalore, 6-10-2006

\(^{20}\) Memorandum of Settlement before the Joint Labour Commissioner and State Conciliation Officer, Bangalore – 29 on 31 January 2006

\(^{21}\) Order of the Supreme Court of India dated February 05, 2008 on Civil Appeals Nos. 6989-6990 of 2005
contract or agreement, whether made before or after the commencement of this Act, whereby an employee either relinquishes or reduces his right to a minimum rate of wages or any privilege or concession accruing to him under this Act shall be null and void in so far as it purports to reduce the minimum rate of wages fixed under this Act.

We see that the bilateral Memorandum of Settlement between employers and unions of 5 March 1997 contravened Section 25 inasmuch as it was below the notified Minimum Wage. Further, the settlement did not provide for any VDA, which meant the Settlement did not guarantee workers wages at least equal to the notified Minimum Wage.

On the same ground, the legality of the Settlement of 6 October 2006 could also be questioned. As per the 1996 Minimum Wage Notification the Minimum Wage for 2006 (April onwards) was Rs.82.16 per 1000 bidis. For the same period the actual wage being paid by the employer was Rs.55 per 1000 bidis. That is, the employer paid Rs.27.16 per 1000 bidis less than the Statutory Minimum Wage. The back wages for the six month period from April to end September assuming 100 days of work and 800 bidis per day should therefore have been Rs.2172.80 on wages alone, plus statutory dues of around 28%, amounting to a total of Rs.2781.18. The actual compensation of Rs.400 was only a seventh of the entitlement of the average worker. This argument may be extended to the compensation paid out for the other years, and hence to the total compensation package of Rs.4500.

The employers in their various petitions averred that enforcing the Minimum Wage Notification of 1996 was detrimental to the interest of the workers, as it would lead to the industry migrating out. The same argument was used in the introduction to the Memorandum between employers and unions of 31 January 2007. However, the Supreme Court of India was unequivocal in rejecting the argument that industry may not pay the statutory Minimum Wage if its financial health was called to question. Justice Gajendragadkar with three other judges laid down the cardinal rule- “There is, however, one principle which admits of no exceptions. No industry has a right to exist unless it is able to pay its workmen at least a bare minimum wage.”

The Single Judge Bench of the Karnataka High Court in its judgment on the 1996 Minimum Wage Notification appeal by employers of the bidi industry distinguished the Indian legal system from that of the USA and noted that minimum wage rates were applicable to all scheduled industries irrespective of collective bargaining. The petitioner in this case were bidi manufacturers who challenged state government’s notification to fix minimum wage for the industry at a rate far higher than neighbouring states, citing that survival of the industry ought to be of paramount importance. While the court quashed the notification, it however noted that the threat of industry exiting the state is no ground to not revise the minimum wage rate (Para 28). Another major issue in this case was that workers had allegedly entered into a settlement with management and had accepted wages lower than the notified minimum wages. The court explicitly held that such settlement would not be valid as it would go against Section 25 of the Minimum Wages Act.

The case went on appeal to the Divisional Bench of the Karnataka High Court and the Supreme Court of India. In neither case did the employers get any relief. They therefore were guilty of impunity, and

22 Crown Aluminium Works v. Their Workmen AIR 1958 SC 30

There is another issue that the case brought up. The VDA component of the Statutory Minimum Wage is meant to provide for 100% neutralization against inflation. According to the Government, “…In order to protect the minimum wages against inflation, the Central Government has made provision of Variable Dearness Allowance (VDA) linked to Consumer Price Index Number for Industrial Workers (CPI – IW). As regards States Governments/Union Territory Administrations, 26 of them have made VDA as a component of minimum wages. Both Central and State Governments are revising the minimum wages in respect of these scheduled employments from time to time with 100% neutralization.”

The Minimum Wage Notification of 6 October 2006 set the VDA at 1 paisa per CPI point on a minimum wage of Rs.60 per 1000 bidis and a CPI of 2822. The VDA neutralization in the case was only 46%. The Government violated its own norms in bringing out the Notification. This was subsequently corrected partially in the Memorandum of Agreement of 31 January 2006.

Minimum wage legislation and the bidi industry in Madhya Pradesh

In Madhya Pradesh the first wage fixation under the minimum Wages Act for bidi rolling was carried out in 1966, with the Minimum Wage being fixed at between Rs.2 to 2.25 per 1000 bidis. The wage revision each year for inflation was fixed at 1 paisa (Rs.0.01) per Consumer Price Index (CPI) point on the 1960 CPI Index. This continued unchanged for the last nearly 50 years. Accordingly the base wage in 2014 (basic wage + variable dearness allowance (VDA)) was Rs.65.21.

Table 1: Real value of statutory Minimum Wage in Madhya Pradesh

<table>
<thead>
<tr>
<th>Minimum wage (1966)</th>
<th>Rs/1000 bidis</th>
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<tbody>
<tr>
<td>2.25</td>
<td></td>
</tr>
<tr>
<td>CPI 1969 (1960=100)</td>
<td>170</td>
</tr>
<tr>
<td>CPI 2016 (2001=100)</td>
<td>254</td>
</tr>
<tr>
<td>Present value of Minimum Wage (1966)</td>
<td>76.80</td>
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</tbody>
</table>

The calculations in Table 1 show the real value of the Minimum Wage of 1966 of Rs.2.25 per 1000 bidis. was equivalent in purchasing power terms to Rs.76.80 in the year 2016. We see that the Minimum Wage in 2015 as per the latest notification was only Rs.65.21. There was nearly 20% erosion in the real wage in the 50 year period.

The Madhya Pradesh situation brings out several issues of the Minimum Wage legislation and its implementation in the industry. It raises the issue of erosion of the Minimum Wage, unless there is a mechanism for fair neutralisation of the effect of inflation on purchasing power, and hence the real value of the wage. The provision of Minimum Wage revision every 3-5 years in the Minimum Wages Act is for the purpose of addressing this requirement, of ensuring periodically that the statutory Minimum Wage is corrected for increase in prices, and changing needs of workers in the sector. In the case of Madhya Pradesh, the absence of any review of the Minimum Wage for fifty years resulted in a situation where the value of the statutory Minimum Wage in the year 2014 had eroded by 23% compared to the minimum Wage in 1966.

24 labour.nic.in/upload/uploadfiles/files/…/wage…/4fd9bebаб42а0мwact.pdf
The revised Notification of 12-12-2014 gave workers Rs.92 per 1000 bidis, but linked the increase in Minimum Wage to a minimum production of 5600 bidis per week is against the premises of the Minimum Wage Act. The Act stipulates the minimum wage or wage rate for an industry, which is essential for the bare minimum of workers’ needs. There is no provision in the Act which can allow workers to be discriminated on grounds of productivity. In fact, the stipulation of minimum production would contravene Section 25, as it implies that workers who do not achieve production of 5600 bidis in a week are to be paid at a rate less than the Minimum Wage.

The statutory Minimum Wage includes as components the employer and employee contributions, adding up to 20 percent of the base wage, towards Provident Fund (PF). The net payment to the worker is therefore calculated after deducting the PF contributions. This is problematic in an industry with very low regulation. The majority of workers in the sector do not have a PF registration. Therefore, the deduction of the employer and employee contribution to PF does not get deposited into a PF Account in their names. This would in effect only mean further lowering the wage rate for most workers. As per the statistics of the Madhya Pradesh Government, the bidi industry employed only 36007 workers, in 270 bidi manufacturing units. However, data provided by the Ministry of Labour, Government of India for the year 2009 estimated the number of bidi workers in Madhya Pradesh to be 8.27 lakhs (0.82 million). This meant that only around 4 percent of the workforce in the industry was registered, and would have access to statutory benefits, including PF. This also meant that for an estimated 96 percent of bidi rollers, PF deduction from their wages plus the PF contribution of the employer did not represent any benefit. They were denied the equivalent of 20 percent of their base wage in addition to erosion of its real value.

Minimum wage legislation and the bidi industry in West Bengal and Maharashtra

West Bengal: The Minimum Wage Notification for the bidi industry in West Bengal was brought out in the year 1961. The notification was never implemented and employers paid whatever wages they felt appropriate. There was no regulation of wages in the sector at all. Union lore has it that in the mid seventies when the Left parties were still in opposition in West Bengal, the Centre of Indian Trade Unions (CITU) forced the employers’ group into a bilateral agreement, which remains in force till date as a two-yearly agreement governing minimum wages in the sector. The first agreement was made in Malda district. The agreement is now in force across the state in the bidi sector.

Meanwhile with the Left parties coming into power in 1977, a new minimum wage notification was brought out for the bidi sector in West Bengal in 1982. This notification was also never implemented, and never replaced the two-yearly agreement. As per the 1982 notification the Statutory Minimum Wage from 2015 was Rs.189.59 per 1000 bidis for regions outside Calcutta, Howrah, North & South 24 Parganas and Hooghly.27

25 ibid
The actual wage paid to workers in the bidi sector in Malda district however was only two-thirds of the Statutory Minimum Wage, at Rs.126 per 1000 bidis. The mechanism of wage fixation was explained. The wage agreement is made based on discussions between employers and union representatives in Murshidabad district, which is the largest employer of bidi workers in the state. No Labour Department representatives participate in the deliberations, and the agreement is also not formally presented to the Labour Department. The other districts follow with their own agreements which are copied from the Murshidabad agreement. There is a fixed component of wage, with no VDA. In addition the employers agree to deposit their PF contribution to the accounts of the bidi workers. There is no other benefit of bonus, leave wages, etc.

**Maharashtra:** The statutory Minimum Wage for bidi rolling in Maharashtra is Rs.210 per 1000 bidis. The Wage was for the period January-June 2016, as the statutory Minimum Wage gets revised for the state every 6 months. The last fixation of the Minimum Wage was on 18-3-1997, nineteen years ago. The Minimum Wage Act mandates new wage fixation once every five years. The prevalent wage for bidi rolling in Maharashtra is Rs.140 per 1000 bidis. The wage has been in place in Solapur since 1st April 2015. Solapur being the largest centre for bidi rolling leads the way for fresh wage settlements in the state. The CITU union leader at Solapur explained that the wage settlement was informal, with no written agreement. The factory owners came to the negotiating table only after prolonged strike. The unions always pushed the demand for payment of the statutory Minimum Wage. The industry claimed inability to pay the Minimum Wage, and finally a settlement was forced on the workers for a wage much lower than the Minimum Wage. There was no a laid out process for wage determination based on cost of living. Neither did the agreed wage have a VDA component. The next wage increase had to wait the next strike and trade union action. The previous wage settlement took place in June 2012 when the wage was revised from Rs.110 to Rs.126 per 1000 bidis. Therefore the bidi rollers got the same wage, without any inflation adjustment, for nearly 3 years till April 2015.

The wage determined in Solapur over time becomes the prevalent wage in other bidi rolling regions in the state. In Sangamner the new wage of Rs.140 came into force in June 2015. A contract between the employers and individual workers was signed stating that the workers accept this reduced wage. The union leader said that no union was consulted in this regard and no negotiation with the employers ever took place between the union and the employers. Workers said that they were either forced or tricked into signing this contract. Their takeaway salary was Rs.126 after PF deduction.

The main issue with wage regulation in the industry in West Bengal and Maharashtra is the impunity with which the Minimum Wage Act is violated. The bilateral settlement which reduced the wage of workers to only about two-thirds of the statutory Minimum Wage is clearly in violation of Section 25 of the Minimum Wages Act. Section 25 clearly states all contracts that reduce the right of the worker minimum rate of wages or any privilege or concession accruing to him under this Act shall be null and void. We reiterate this was also the case in Karnataka for the period from 1996 to 2006, when the industry refused to pay the statutory Minimum Wage. Further, the negotiated wage did not have a component of VDA, annually linking the wage to inflation. This meant that real wage for workers declined for long periods. In Maharashtra, for the period 2012 to 2015, the Consumer Price Index increased from 205 to 256. That is, there was 25% inflation for the 3-year period. Bidi rollers in
Solapur consequently experienced a real wage decline of 25% during January – April 2015 over the real value of wage in 2012.

There were two other aspects of violation of the law in West Bengal and Maharashtra. First, the Minimum Wages Act prescribes the process to be adopted in fixing the minimum wage. It mandates that the minimum wage should be revised every 3-5 years. In the West Bengal situation only two Minimum Wage revisions took place in the past 55 years. The last revision was 34 years ago. This is surely a gross violation of the Act. In Maharashtra the last wage fixation was 19 years ago, on 18-3-1997.

Second, and more important, does the Government not have a specific role in upholding its own legal notifications, in this case the minimum wages notifications that it continued to issue every year? There is no record with the Labour Department of this gross violation of the Minimum Wages Act. The bilateral wage agreements in place in both states were not even registered with the Labour Department. The Department turned a blind eye to an industry wide practice.

We therefore see in all four states studied, Karnataka, Madhya Pradesh, West Bengal and Maharashtra gross violation of the Minimum Wages Act. The culpability of the employers and the Labour Department is clear. The employers involved include the largest bidi manufacturers in the country: Mangalore Ganesh Beedi Works and Bharat Beedi Works in Karnataka; Shyam Tobacco, Ceejay Tobacco, Pataka Biris in West Bengal; Ceejay Tobacco and Sable Waghire in Maharashtra; Prabhudas Beedis in Madhya Pradesh.

The plea taken by the manufacturers is that the enforcement of the Minimum Wage would be detrimental to the industry. However, the judicial reasoning is very clear on this – that if any industry cannot even pay the statutory Minimum Wage it has no right to exist. The manufacturers also claim that there is a large unregulated section of the bidi industry, which pays no duties and has no regulatory oversight. There might be some force in the argument to revisit the definition of the unregulated small-scale bidi manufacturer as one who manufactures less than 20 lakh sticks of bidi. However, regulatory oversight hardly seems to play any role within the regulated sector either. A uniform policy across the industry for all bidi manufacturers irrespective of size might in the context help to improving overall wage regulation.
Section 2: Payment of Wages and Benefits in the Bidi industry

Bidi rolling is done across the bidi sector in India as home-based work. The major registered bidi manufacturers and small unregistered manufacturers all put out this work to women working from home. The registered companies manage this work through a system of depots and contractors under each depot. The contractor is the only/main interface between the principal employer and the bidi roller. Many registered companies have bidi rolling operations in different states, to take advantage of wages and markets. The spreading of bidi manufacturing to different states would also give greater flexibility of operations and better bargaining strength to manufacturers.

The payment of wages to the bidi roller is piece-rated, expressed in terms of rupees per 1000 bidis rolled. The sector is covered by the Minimum Wages Act. However, in practice the actual wages paid to workers, even by large registered companies differs widely from state to state. A system of customary practices overlays the thin veneer of formal rules for payment of wages. The bidi workers are also covered by several other legislations that add to their economic entitlements.

<table>
<thead>
<tr>
<th>Wage and other economic entitlements</th>
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</table>

1. **Minimum wage:** The workers in bidi industry are covered by the regulation for a Statutory Minimum Wage. The Minimum Wage has to be based on realistic determination of the actual economic needs of the worker and her family. The Minimum Wage also has a component of Variable Dearness Allowance (VDA) which is supposed to ensure at least annual revision of the Minimum Wage to account for inflation, based on the nationally determined Consumer Price Index (CPI).

2. **Leave wage:** Workers in the sector are eligible to leave wage equal to one day’s leave for every 20 days worked. This adds 5.7 percent to the Base wage of Minimum Wage+VDA.

3. **Provision fund (PF):** The worker is eligible to PF at the rate of 10 percent of the Base wage.

4. **Bonus:** The Payment of Bonus Act mandates a minimum bonus payment at 8.33 percent of the Base wage.

5. **Social security:** The bidi worker is covered by provisions of the Bidi Workers Welfare Fund Act. The Bidi Workers Welfare Board has several schemes under the Act for health care, scholarship for children, etc, financed through a cess on bidi sales. The cess at present is Rs.5 per 1000 bidis sold.

**Payment of wages for bidi rolling in Karnataka**

The wage survey in Karnataka was done in Mangalore district and Bangalore. Mangalore is the home of some of the oldest and largest bidi manufacturers in the country. Two of the largest manufacturers Mangalore Ganesh Beedis and Bharat Beedis have their headquarters in the district. Bangalore also supports a large section of bidi rollers.
In Karnataka the payment to bidi rollers is governed by the statutory Minimum Wage. The Minimum Wage for 2015-16 remained the same as in 2014-15, as the employers were able to “persuade” the Karnataka government and Labour Department that given the difficult situation in the industry, there should be a VDA freeze for the year. As such the payment per 1000 bidis is as follows:

Table2: Components of wage – Karnataka

<table>
<thead>
<tr>
<th>Wage component</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic + VDA (Base wage)</td>
<td>150.88</td>
</tr>
<tr>
<td>Provident Fund (PF) at 10%</td>
<td>15.08</td>
</tr>
<tr>
<td>Bonus at 8.33%</td>
<td>12.57</td>
</tr>
<tr>
<td>Leave/holiday wages at 5.7%</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>Total wage</strong></td>
<td><strong>187.13</strong></td>
</tr>
<tr>
<td>Deduction for PF of employee</td>
<td>15.08</td>
</tr>
</tbody>
</table>

As presented in Table 2, a bidi roller should get a wage of Rs.135.80 (Base wage of Rs.150.88 - PF deduction of Rs.15.08) per 1000 bidis rolled after deducting her contribution to PF. She should also get an additional Rs.24.79 (= bonus of Rs.12.57+ leave wages of Rs.8.60) per 1000 bidis paid out as a lump sum annual payment as bonus and leave/holiday wages, or as part of the regular wage per 1000 bidis. However, the actual practice of payment varies substantially from the formal system.

A senior trade union leader explained the actual payment system.

“There are workers who are on the “books” of the company for whom PF is deducted, and who are also paid bonus. But, in the Mangalore region where the trade union movement was strong, around 30% of the bidi work is taken from workers who did not have their names in the company “books”. These workers are not covered by PF. The bonus payment to them is also arbitrary. But outside Mangalore, the percentage of workers who are not in the “books” is substantially higher.”
Interview with workers:

Worker interviews: Two workers interviewed, in their late fifties, still working as bidi rollers for the past over 30 years, with South Kanara Home Industries in Mangalore which produces for Mangalore Ganesh bidis, said “... As the bidi off-take has declined we get work for only 3-4 days in a week. We collect whatever tobacco and leaf are given to us every third day, and give back the rolled bidis on the third day.”

One worker in her sixties said “... I can roll about 600 bidis in a day. My health does not permit me to roll more.”

Another worker, in her late fifties said “... I can easily roll 1000 bidis in 8 hours each day. The problem is that I don't get tobacco and tendu leaf for that. I have to work as a domestic worker in two houses every morning, before sitting down to roll bidis.” She found it necessary to do domestic work as there was no guarantee of bidi work.

All these workers had put in over ten years of service and were over 50 years old, and hence received a pension of Rs.900 per month in addition. As they were receiving pension, they are not paid PF. They are paid a flat wage rate of Rs.150 plus bonus.

They were not even sure if they were paid the statutory 8.33% of wage as bonus, as they did not have a “work book” and could not calculate their production. The employer and/or contractor therefore save on PF and other benefits for every worker on pension they contract out to. The government thus also provides a wage subsidy to the bidi manufacturers.

The two women workers interviewed working with the South Kanara Home Industries also said that their children had got educated and were in “office” jobs. They said that they had continued to work in the bidi sector because of the benefits available when registered with the Bidi Workers Welfare Board, especially the benefit of scholarship from the Bidi Workers Welfare Board. Many workers in the bidi industry in Mangalore had got their children educated with the scholarship provided by the Welfare Board, and their children had moved to other employments and did not work in bidi rolling. They said that older women were in demand, both for their skill and meticulous work but also because they had to be paid less than younger women.

Discussion with ten workers around Guddadahalli, outside Bangalore city, all producing for Ganesh Bidi, was very informative. One worker was in her thirties. Two others were in their mid forties, and the remaining in their fifties and sixties. This group of workers also confirmed that the sector did not any longer attract young workers. None of the older workers got pension even though they were more than fifty years old and had been with the sector for over 10 years. One worker in her sixties had worked in the sector for around 50 years – she said she started working when she was only 14 years old. The youngest worker who was 36 years old said she had worked 20 years for SK brand and the last 5 years for Ganesh Bidi. She would have started working at the age of 11 years in the sector! All the workers worked only through a single contractor.

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The most striking feature of the discussion was the wages per 1000 bidis.

Worker interviews: Nine workers said that the total wage was around Rs.180-190. But they all said that they were paid Rs.126 per 1000 bidis in hand. One of the workers explained:

“We have a wage of Rs.187. No one is clear of how much is deducted from this wage and on the basis of what calculation. The net amount is Rs.141, from which our PF contribution is deducted and then we get Rs.126.”

We see that the wage in hand the workers got was Rs.10 less than what was their due.

The contractor obviously extorted Rs 10 and the workers were not even aware of having paid it to him. The workers on an average rolled around 20,000 bidis in a month. Thus, each of them paid Rs.200 each month to the contractor unknowingly.

Over and above this, they had to give to the contractor 2 bundles of 25 bidis each, every time they took the finished bidis to the contractor. This worked out to around 150 bidis per week, or 600 bidis per month. This was called the service fee for transporting the tendu leaf and tobacco to them and taking their bidis to the depot, and bringing their payment. The loss of wage and benefits for the 600 bidis would amount to an additional Rs.115 per month.

Thus together, each worker each month paid knowingly or unknowingly, about Rs. 315 to the contractor, which amounts to almost 12.5% of their total monthly wage.

The women workers also said that the annual bonus paid was at varying rates, varying from Rs.2800 for 1.8 lakh bidis in a year at the lowest to Rs.3600 for 2.2 lakh bidis at the highest. This worked out to Rs.15.56 per 1000 bidis at the lowest and Rs.16.36 per 1000 bidis at the highest. They were aware that the bonus amount did not linearly follow the annual production, but were not able to explain the differences.

Worker interviews: One woman worker who was paid Rs.1943 bonus in 2015 for a production of 1.25 lakh bidis asked the contractor as to why she was paid so less. The contractor scolded her and said that he was not a cheat and she did not appreciate the great service he did for them!

From Table1 we see the total payment due to the worker for bonus alone was Rs.12.57. All the workers appear to have been paid more than their bonus dues during 2015. However if we calculate the amount for bonus plus leave wages the legal entitlement works out to Rs.21.17 per 1000 bidis, which is more than the highest annual pay-out rate to the workers. We would infer therefore that the payment being made to them represented both bonus and leave wages, with there being varying degrees of underpayment. The underpayment in the annual payment of benefits varied for the workers interviewed worked out to around Rs.1000 for the year. We should also add that none of the workers when asked about leave wages even knew what was being talked about!
The issue with bonus was also that the workers did not have an accurate estimate of how much of their production was entered into the books by the contractor. Log books for individual workers were maintained only once a year. Otherwise all other calculations were done in a separate book which a third party would find very difficult to comprehend. Readings from a typical page in a worker’s account book are shown in the adjoining photograph. The worker could not explain all the entries, and the calculations in the facing page.

The women workers were aware of PF and the fact that Rs.15 was deducted from their payment per 1000 bidis as their contribution. But none of the workers were aware of the balance in their PF accounts. One worker said that they got updates on their mobile phones but were not able to make any sense of the updates. Another worker said that she got a return from the PF office only once, two years ago, in her ten years as a bidi roller. A typical PF update is shown in Photograph. It gives no details of the worker’s present PF balance. The cell phones most workers used did not have the capacity to load on the applications required to track all PF details. They got no help in this regard from the contractor or the principal employer.

One worker, a widow, 58 years of age, got her widow’s pension from the Karnataka government but no pension from the PF department. She had worked for the last ten years with Ganesh Bidi. She got a flat Rs.130 per 1000 bidis from the contractor. No deduction was made for PF and she said that she did not have a PF account. She did not get bonus or any other benefits. She did not have a work book from the contractor in which entries were made. She also said that the contractor did not make any deductions from the quantity of bidi she turned in every week. The woman did not perceive the non-acrual of benefits as a loss of wage. The monetary value of the loss was around Rs.60 per 1000 bidis. She rolled on the average 12,000 bidis in a month. She was therefore losing Rs.720 worth of benefits every month.

There was another aspect of the entitlement to compensation that none of the workers knew anything about. As per the Memorandum of Settlement of January 31, 2006 the employers agreed to pay “guaranteed minimum wage in terms of Clause 7 of the Government No. LD 165 LMW 2006, Bangalore, 6-10-2006...to home workers also”. This payment was to compensate workers when the
employers could not supply them with a minimum amount of work on any particular day. Many workers said that given the low demand for bidis there were months when they only got production orders for 2-3 days in a week. They were technically supposed to be compensated for the remaining days in the week when they were given no work.

Unlike in Mangalore, in Bangalore bidi rollers did not have much interaction with the Welfare Board. None of the workers had any ID card for their membership of the Welfare Board.

None of them had benefitted from the scholarship scheme, which was seen by many as the most popular feature of employment in the sector in Mangalore. Two women workers had received scholarship for their children from various state schemes not connected with the Bidi Welfare Board. Two women workers said they had submitted application forms, one through the contractor and the other through the union. They did not know what became of their attempts, but no scholarship was forthcoming.

One male worker was interviewed who worked as an independent bidi roller. He along with his wife managed to roll around 1500-2000 bidis per day. They did not have a roasting facility, but managed to sun-dry the bidi. The man sold the bidis in the local market for Rs.12-13 per packet of 25+1 extra bidi. He therefore sold bidi worth Rs.750-1000 per day. The cost for tendu leaf and tobacco was around Rs.100 per 1000 bidis. The man was therefore able to make a profit of around Rs.20,000 per month. This was substantially more than the monthly wage of around Rs.3000 that the bidi worker rolling 5000 bidis per week made on the average. There was substantial profit to be made in the unregulated bidi market.

The process of bidi rolling is quite time consuming.

One worker described the steps in the process

1. Tendu leaf cutting requires around 3 hours for 1000 bidis;
2. Tobacco filling took 5 hours;
3. Rolling the bidis took 4 hours;
4. It took 1hour to close the bidi tip.

This added up to 13 hours to finish 1000 bidis.

Others claimed it took anywhere up to ten hours to complete 1000 bidis. Some women workers said they took the help of family members for specific tasks. One woman worker said her sister-in-law helped her with closing the bidi tips; another got the same task done by her daughter-in-law. Another woman worker who was 60 years old rolled 20000 bidis in a month, and got her daughters to help with cutting the tendu leaf and closing the tips. None of the women involved children in the task but it was essentially use of family labour, thereby subsidising the wage further.

We can assume on the average the worker gets Rs.170 per 1000 bidis, inclusive of the annual and long term benefits, and after taking into account the various illegal extractions from her account. This is the payment she gets for an average 10 hours of work. We have not included here the time taken for her to collect tendu leaf and tobacco and deposit the prepared bidis with the contractor, and collect payment for her work. We would therefore calculate the real wage rate for the worker engaged in bidi rolling as Rs.17 per hour. What the worker gets in hand would be around Rs.120 per 1000 bidis, or Rs.12 per hour. This is not even sufficient to support two adults at the poverty line as worked out by the
Government of India appointed Rangarajan Committee. The report of the Rangarajan Committee of the Planning Commission in 2013 estimated the poverty line as Rs.47 per person per day for urban areas for the year 2011-12. If we were to extrapolate the poverty line food consumption for 2016 consumer price index (CPI), the CPI for all industrial workers increased from 201 in March 2012 to 269 in January 2016. The urban poverty line at today’s prices would therefore be Rs.63 per person per day, or Rs.126 for two adults. The bidi worker would require to work for more than 12 hours per day to support herself and one more adult in the family.

Discussion with Mr. Khalid, Bidi contractor, Jyothi Home Industries Pvt Ltd producing Mangalore Ganesh Bidis

Mr. Khalid (name changed) operates 4 bidi collection centres in Bangalore and 1 in Ramanagara in the outskirts of the city. They are 3 brothers and 2 employees who manage the business. They are paid a commission of Rs.11 per 1000 bidis (lower than Rs.14.50 per 1000 bidis in Mangalore).

The 2 employees are paid Rs.10,000 per month, while rent of the 3 outlets together was another Rs.10,000. The other 2 outlets were operated out of their homes. As the off-take of bidis was less they got orders for only 4 lakh bidis per week. They used to make 8 lakh bidis per week earlier. On the 16 lakh bidis per month they therefore earned a total commission of Rs.17,600 per month. This would not even cover the cost of wages and rent. Therefore, to cover the additional costs of transport, and the income of the three brothers, they too extorted a surplus by underpaying the workers.

Mr. Khalid had 80 full time bidi rollers working with him, who had their work books and were paid PF and benefits. A perusal of the workbooks showed that the workers rolled 8000-14000 bidis per month. Taking average 10,000 bidis per worker, they would account for 8 lakh bidis production. This meant that around half his production was not shown in the work books. The contractor therefore earned the benefit from PF etc accruing from that production.

Mr. Khalid also said that as the commission of Rs.11 was inadequate, the workers “voluntarily” gave back to him Rs.7 per 1000 bidis from the payment they received. He was opposed to the government freezing the VDA for the year as he claimed that with no increase in their wage, it became more difficult for him to ask them to part with their “voluntary” contribution.

Discussion with Mr. Krishnappa, bidi contractor, South Kanara Home Industries producing Mangalore Ganesh Bidis

Mr. Krishnappa had 5 “factories” (collection centres) through which he dealt with 900 home based bidi rollers. He had seven employees who supervised the collection centres (shops on hire). He normally collected 3 lakh bidis daily, or around 350 bidis per worker per day. He was one of the bigger bidi contractors with South Kanara Home Industries.

Workers were supplied with tendu leaf and tobacco on two days in a week (different days for different collection centres. The workers had to supply rolled bidis as per the norm of production for the leaf and tobacco. Payment to workers was made every Saturday for bidis collected up till Friday.

Mr. Krishnappa was paid a commission of Rs.14.50 per 1000 bidis. Therefore his normal income on 3 lakh bidis should be Rs.1450 per day, or around Rs.35,000-40,000 per month.

The wages to his 7 supervisors was together Rs. 30,000 per month. Over and above that, he paid Rs.1000 per month for each of his 5 collection centres. He had to incur additional cost of transport of tendu leaf and tobacco to the collection centres, and the finished bidis to the depot of South Kanara Home Industries. As per these calculations, Mr. Krishnappa would not even be able to break even on most months, let alone earn a surplus for his own effort. Thus his only recourse is to extort from the workers.

29 planningcommission.nic.in/reports/genrep/pov_rep0707.pdf.
30 labourbureau.nic.in/indtab.html
The payment to contractor from the bidi manufacturer is low. The contractor therefore underpays the worker in order to ensure his income. It is a standard practice for the contractor to deduct one bundle (25 bidis) for every 1000 bidis supplied. Some contractors even collect as high as 50-100 bidis per 1000 bidis supplied by a worker. The worker thereby also loses the PF and bonus amount on the bidis, which too accrue to the contractor. The contractor then books the siphoned off bidis in the name of some relative of his and extract the wage for those bidis from the manufacturer. In addition, the contractor also generally cheats on weight or underpays the worker by 5-6 rupees on every 1000 bidis as his commission. A worker also has to make good any production deficiency because of bad quality of tobacco or tendu leaf. This again had to be done by the worker at her own cost. Therefore the actual payment to the worker is substantially less than what is legally due to her. If the workers refuse or protest, the contractor threatens to discontinue supplying raw materials to these workers. This power relation ensures that workers accept this extortionist system.

Mangalore Ganesh Bidis also manufactured bidis in Bangalore through their agency Jyothi Home Industries Pvt. Limited. The payment to workers here indicated even greater discrepancies from what was mandated legally.

**Payment of wages for bidi rolling in West Bengal**

The survey of bidi rolling in West Bengal was done in Malda district. The district is the second largest in terms of quantity of bidis produced. The conditions of employment in bidi rolling were extremely stark and difficult. The workers were covered only by the bilateral wage agreement which presently gives them Rs.126 for 1000 bidis.

**Table 3: Components of wage – W. Bengal bidi rolling**

<table>
<thead>
<tr>
<th>Wage head</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic wage</td>
<td>126.00</td>
</tr>
<tr>
<td>PF at 10%</td>
<td>12.60</td>
</tr>
<tr>
<td>Total wage</td>
<td>138.60</td>
</tr>
</tbody>
</table>

There is no VDA. The new agreement every two years revises the wage. The worker would therefore suffer a decline in real wages in the second year of the agreement. The last wage agreement was in 2015. The next agreement would therefore be in the year 2017. The wage would remain frozen at Rs.126 for the two years. The worker also got PF that is deposited by the employer to her PF account, with no separate PF deduction from her payment for her own contribution. None of the workers knew how much PF amount was deposited every month in their accounts. If we take the PF deposited as the standard employer’s contribution of 10%, the total wage of the worker would be Rs.138.60 and the amount she got in hand Rs.126 per 1000 bidis.

There were however other informal cuts made to the earnings of the worker. These were revealed in interviews with contractors, union leaders and workers in the bidi sector in Malda district.
Interview with workers and trade union leaders

The standard practice for the contractor was to take around 50 bidis from every 1000 bidis supplied to him.

Contractor: “We have to give 2-3 packets per 1000 bidis to the contractor for free. If the packing is 20 bidis per packet then we lose 40 stick and for packaging that has 30 sticks per packet we lose out 60 bidis per 1000 to the contractors. This is over and above the number of bidis the contractor ‘rejects’ from my bidis on grounds of not meeting the standard. These reject bidis are also taken away by the contractor.”

This means if a worker rolls on an average 20,000 bidis in a month, and is paid Rs. 138.60 per 1000 bidis rolled, the worker loses on an average Rs 415.8 per month, which is about 15% of their total monthly wage, as payment to the contractor.

The workers interviewed said that while formally there was no child labour in bidi rolling, in practice, it was very difficult to say that no children participated in the work. Bidi rolling takes place at home and in the community space. Women, on completing the domestic chores for the day, bring out their mats and their stock of tobacco and tendu leaves, sit in a group rolling the bidis. Children usually play around and it was not unusual for young girls, mostly adolescents, to join their mothers, sisters and aunts to join the group and participate in some of the easier tasks like closing the bidi ends. This increases the productivity and hence supplements the wage of adults.

“In a family, daughters, daughters- in-law, wives, mothers – everybody work together in bidi rolling. Sometimes even the children join in and lend a helping hand. The whole neighbourhood is engaged in bidi rolling and we all sit together in the afternoons doing our work together. Our earning varies between Rs 2000 – Rs 1500 a month. It is not possible for the family to survive unless there are more than one person in the family rolling bidis.”

- A woman worker in Malda

The prevalent system of bidi rolling in Malda district was explained by a trade union leader from All India Central Council of Trade Unions (AICCTU).

Union leader: All the bidi manufacturing companies in the area have the same system. They procure the bidis through contractors who have annual contracts with the companies.

There is no standard for how much leaf is required for making 1000 bidis. It is based on assumption/approximation and varies with owners and contractors. A standard ratio of leaf and tobacco is not even part of the wage negotiation. This paves the way for further exploitation. Leaves are given by weight but there is no check if bad leaves are also given. Extra leaf and tobacco then has to be bought from the contractor, whose rates are always higher than the market rate. But workers cannot buy from the market because the contractor will then create problems for them. The contractors also take 2-3 bundles of bidis from each worker every time they submit the rolled bidis.

PF is seen as an important means of savings by the workers. They also said that this has become a tool in the hands of the contractor to control workers. The contractors do not help the workers understand their PF balance or operate the account.
The lack of unionisation and awareness of rights is evident from the fact that the workers expect the contractors to take leadership in ensuring their dues under the PF. The factory management had a totally hands-off attitude in the relationship with workers. They did not see any need to address their responsibility as principal employers.

Worker interviews: PF is deducted from our wage but all the books are with the contractor. Those who have PF need to work regularly because if they stop rolling bidis for a considerable period, then the contractor stops deducting their PF and does not give more work.

We do not have any obligation to roll bidis – we can stop the work when we want to. But that is possible for people who roll bidis for smaller companies and do not have PF. PF binds us to the work. And finally when a person who had PF dies, it takes a lot of time and effort to withdraw the PF. The contractors never help in withdrawing the PF money.

A Manager at the Shyam Bidi factory in Malda:

PF is there for many workers but it is completely administered by the contractors. We, as managers, have to sign to certify contractors for withdrawals or loans like for houses etc. That is our only responsibility.

Interview with Contractors:

Discussion with bidi contractor, Shyam Bidis Pvt Ltd

For making 1 lakh bidis we incur a cost of about Rs 1000, but the commission we earn is Rs. 540. Thus we make a loss of Rs. 460. However we have to make up this loss which we have to do to survive. This is done by say giving less leaves and tobacco, then recycling some of the rejects etc.

For every 1000 bidis that we collect we take 2 packets as free. We also cut on the leaves given to the workers. That is how we make our profit. This sort of operations has become the unsaid rule of this industry. True we feel like thieves – stealing on our own efforts.

The big companies extract their profit at our expense and we are made to look like the thieves.

The contractors are paid a commission of Rs.5.40 for 1000 bidis. Two contractors of Shyam Bidi with whom discussions were held said that the commission was totally inadequate. They said that the contract business in the bidi sector was predicated on cheating the worker. It was based on exploitation of vulnerable workers. There was no way in which the economics would work out if they did not cheat.

The largest bidi manufacturer in the region was Pataka Bidi. The company had the reputation of being slightly more vigilant in enforcing correct payments.
None of the workers interviewed were paid bonus. One worker said she had heard discussions on payment of bonus, but nothing finally happened. Workers were also not given any leave wages. Both bonus and holiday wages are part of the rights of the bidi workers. The Supreme Court of India on 31 January 1974 specifically ruled in favour of the right of bidi workers to leave wages in its judgment in the case of Mangalore Ganesh Bidi Works etc. vs Union of India. This was a clear illegality that deprived the worker of payment equal to around 16.5% of the basic wage. In addition the deprivation to the worker due to non-payment of the Statutory Minimum Wage has already been discussed.

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One worker supplying to Shyam Bidi said:

“We get paid at Rs 124 and not Rs.126 which we know is the rate given by big companies like Pataka etc. and are paid on a weekly basis. We know Pataka company tries to see to it that workers are being paid the Minimum wage– they even send their company people on the field to find out if workers are actually getting Rs 126 rate. The tendu and tobacco provided is not enough to roll 1000 bidis. Hence we are forced to buy extra material from the open market. Since we do not make for big companies we can buy tobacco and leaves from outside market.”

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**Curious Case of Reject Bidis**

The Shyam Bidi factory revealed a unique twist in the production process.

Bidis supplied by contractors were checked for quality, sorted and counted against the material supplied by the factory. Bidis that did not match the required standard were called *chhaant* (meaning reject). The factory manager explained that they sorted approximately 1500 to 2000 reject bidis out of every 100,000 bidis supplied by the contractors. On a daily basis their total reject bidi amounted to around 250,000 sticks.

No labour cost or commission was paid for the reject bidis. The reject bidis were retained by the factory. These were then packaged and sold under the brand names – “Pintu Bidi” and “Gudiya Bidi”, also owned by SBW Udyog.

Pintu and Gudiya bidi had 19 bidis in a pack (the main Shyam brand had 25 bidis in a pack) and sold for a lower price than the flagship Shyam brand.

The use of rejects without reprocessing and selling in the market amounted to production without labour and other related costs, such as transport, contractors commission etc. Given this practice, it is evident that is pure profit in increasing the number of rejects. The cost of this practice obviously is solely borne by the workers.

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**Payment of wages for bidi rolling in Maharashtra**

The wage survey was conducted in Solapur and Sangamner in Maharashtra. Bidi rolling as an occupation was introduced in Solapur by the migrant workers from Andhra Pradesh who moved to the city as textile workers. Women took bidi rolling as part time work to supplement the family income. With the shutting down of textile mills and waning of handloom work bidi rolling became the primary source of family income and a full time work for women. Today, Solapur has about 70,000 workers.

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31 Supreme Court Judgement. 1974-(LB2)-GJX -0021 -SC. Mangalore Ganesh Bidi Works And Others V. Union Of India And Others. 31-01-1974.
The importance of bidi work is illustrated from a statement by one worker, that “it is difficult to find a suitable groom for a woman who doesn’t have bidi workers welfare card.” Sangamner has a total of around 4600 bidi workers (3800 factory based workers and 800 home based workers.)

Unionisation among bidi workers in Solapur is high. CITU in Solapur claimed 40518 registered workers as its members. The other major unions in the area are INTUC and Shiv Sena. In Sangamner also union membership is high in the sector. There are three active unions in the area Sangamner-Akola Beedi Kaamgar Union (AITUC), Sangamner-Akola-Sinner Taluka Bidi Kamgar Samite (Lal Nishaan Party) and Bidi Mazdoor Sabha (HMS).

Workers at two factory premises of Sambhaji Bidi (brand of Sable Waghire Private Limited) having 30 women workers each were interviewed. In addition five home based workers were also interviewed. Only two home-based workers said that they were not union members. They were employed by ‘Company Bidi’ were not a member of any union. Company Bidi is an unregistered enterprise, and sells unbranded bidis locally.

Women working in the factories said they reported to work at 12 noon and worked till 6:30-7 pm in the evening, rolling around 1000 bidis in that time. In addition they cut and prepared the bidi leaves at home and brought the cut tendu leaves with them to work the next day. It took around 3 hours to cut the bidi leaves to proper shape and size for 1000 bidis. Thus with around 6-7 hours spent in the factory and 3 hours at home, or a total of around 10 hours of work, the women were able to roll 1000 bidis in a day. All workers claimed they worked six days a week and took Sundays are off. When asked if they carried work home for Sunday all workers replied in the negative. Even the home based workers said they did not roll bidis on Sundays.

Workers at Sable Waghire factories were paid every 15 days in cash depending on the number of bidis rolled by them. As there were no contractors or middlemen involved, the number of rejects was quite low, as compared to the situation in West Bengal. The workers said that at most there were 10 bidis rejected for every 1000 bidis rolled. Even this rejection was rare. There were hardly any rejects as they did not use bad leaves. The payment was made on time and in accordance with the number of bidis rolled. There were no extra-legal deductions. They did not have to forego wages for the 2-4 bundles of bidi, which was standard within the contract system in all the states.

While the union was not able to secure the statutory Minimum Wage for the workers, the presence of a strong union ensured that the workers receive all social security benefits.
All the workers interviewed had PF accounts and were able to access regular updates of their accounts on their mobile phones from the PF department.

The workers also had ID card for membership of the Bidi Welfare Board. The card entitled them for free health check-up, scholarship for their children and housing benefits. All the workers claimed having received scholarship money for education of their children. They also got regular health check-up as a mobile health unit visited the factory premises every week. The local government Bidi Welfare clinic confirmed the fact of weekly check-ups and workers being able to avail health care benefits for themselves and their families.

Workers also confirmed that they received bonus at the rate of 8.33% every year. The maximum bonus amount for the previous year at the Sable Waghire factory was Rs.5500. However, this amount would also have included the leave wage that all workers were to be paid as per the Factory’s Act. As such, it would not be possible to ascertain the quantity of bidis actually rolled, and if the worker was actually paid the statutory minimum bonus of 8.33%.

All workers talked with said that there was no incidence of child labour in the industry. The workers said that their children are either in school or college and were not going to take up bidi rolling as livelihood.

100 houses were constructed in the taluka with the help of the central Bidi Welfare Fund and handed over to workers in the year 2013. The total cost per house was Rs.1.06 lakhs.

In Solapur region there were three forms of organisation of bidi rollers (i) those who are directly employed by the factory; (ii) those who work with the cooperative; and (iii) those who work under a contractor. The workers who work with the factory were all unionised workers. Workers working in the cooperatives and those employed through a contractor were not unionised. While the unionised workers were paid the new wage of Rs.140 per 1000 bidis, the workers in the cooperative and under a contractor claimed they were still paid at the old rate of Rs.126.

All workers, including those working with the contractor and the cooperative, had a PF account as well as a health card with the Bidi Welfare Board. The workers said that they were under probation for 2 years before they got their PF account and health card. The factory workers got the same Rs.140 wage during the probation period as other workers.
The wages of the workers in the cooperative was worse than that of factory workers. The cooperatives in Solapur were created by the factory owners, presumably to bypass labour laws. The member workers of cooperatives in Solapur had no say in the management of the cooperative. The profits were pocketed by the management. The cooperatives appear to be run on lines similar to the sugar cooperatives of Maharashtra, where again the profits accrued to the cooperative management.

Unlike Sangamner where workers employed in a factory worked on factory premises or in some shaded area within the factory premises, in Solapur even the factory workers rolled bidis at home or some community place outside the factory. Women went to the factory in the morning (after 10:30 am) to deposit the bidis rolled by them and collect fresh material to roll more bidis. Around noon they started rolling bidis, either alone at home or in groups at a community hall, temple corridor or under a tree. This work continued till dusk (usually till 7 pm). Most workers resumed work at home after dinner. Most women talked with said they start working at home around 9 pm, and continue till midnight. All workers, except those working for the contractors worked 6 days a week with Sunday as weekly off. For the contract workers, there was no designated weekly off. They work for 4 to 7 days a week depending on the amount of work the contractor provided. Contract work in Solapur was irregular, and varied from contractor to contractor as per demand in a particular season.

A standard practice in Solapur for all workers was that 2 bundles of bidi were deducted from every 1000 bidis submitted by the workers. This deduction is known as ‘Gulla katta’. Gulla katta is supposed to be a buffer stock to compensate for reject bidis rolled by the workers. Thus if there were rejects in a batch submitted, they were supposed to be compensated against the gulla katta and the worker was not to be required to roll fresh bidis to make up for the rejects. However, in practice this did not happen. The reject bidis were counted separately and had to be made up. The number of bidis kept as...
gulla katta was never adjusted against the reject bidis. Also, it never happened that workers were paid extra from the gulla katta if no defective bidi was found. This was simply a form of extortion from workers by the factory management.

The presence of unions in Maharashtra seemed to ensure that basic social security was available to at least all the unionised workers. However, even the union strength was not able to get workers the statutory Minimum Wage, or the right to a wage indexed against inflation. The following interview with the union leader from the largest bidi union of Solapur is instructive.

**Interview: Secretary, Bidi Baandhkaam Kaamgar Union (CITU)**

*Despite a strong union there is a vast gap between the notified minimum wages and the actual wages of the workers, what is the reason for it?*

The biggest problem for the workers of Solapur is its geography. We are a border town, if we demand for higher wages the factory owners threaten to shift the industry elsewhere. It’s not like we haven’t pushed for higher wages in the past, we strike and struggle for minimum wages every year. But, the owners tell us that they can’t afford to pay at the minimum wage rate, the notified wage is too high according to them. We also understand their problem. They have to be in the business to be able to pay the workers. If we start demanding for Rs.200 per thousand bidis they will shift to Karnataka or Andhra, in both the states the workers are being paid less than what our workers are getting in Solapur. That is why we settle for a lower wage than the minimum wage.

We want a uniform wage for bidi workers. If the government notifies Rs.200 as uniform minimum wage for bidi workers everyone will benefit from it. Then the owners cannot cry foul in the name of competition.

You are talking about the unionised workers, here in the cooperatives workers are paid much less than that. They are still working for Rs.126 and there are some who might not even have a PF account and health card. To save on excise duty and other regulations the brands have formed cooperatives, these cooperatives are producing the same brand. If you ask the worker who works with the cooperative she won’t even be able to tell you which brand she rolls for. Her wage is less than the factory worker, the cooperative is making profits but she has never received a bonus for her work. In reality their condition is no different than a contract worker. This whole cooperative is a drama, it is a façade of the factory owners to dodge the labour laws and churn out more and more profit.

*The workers are still getting paid in cash, what is the union strategy to get this changed to bank transfer or payment by cheque?*

Bank transfer system cannot work in Solapur. We were pushing for it initially but we have realised now that it is not possible here. Workers here are mostly poor and illiterate as you can see. They do not understand all the documentation process, the running around that they are made to do for opening an account deters them from opening one. On top of that many are migrant workers they do not have a proof of identity or address in which case it becomes difficult for them to open an account. If you have to go to the bank every time you need money that means loss in working hours, workers see that time loss as a loss in their income. The time they would spend in making a transaction at the bank in that much time they can roll bidi and make some more money. Therefore, we have stopped pushing for it now.
The factories had ceased operation for 28 days opposing the pictorial warning on the bidi packs, where does the union stand on this issue?

The government should make its mind clear first. What do they want to do, do they want this industry to be there or not, do they have an alternative for these workers. There are more than 80 lakh bidi workers in the country. You cannot shut the entire trade in one day and make these people jobless. Bidi rolling is the primary occupation of people here. They do not have any other skill. If the government is going to put the warning all over the labels the brands are going to find it difficult to sell the bidis and workers are going to be out of work. That is why we were supporting the industry in opposing the new pictorial warning norm.

Payment of wages for bidi rolling in Madhya Pradesh

The wage survey was conducted in Pipariya Ramnath village, and in the village panchayat of Baansa in Damoh district in Sagar division of Madhya Pradesh. Madhya Pradesh is among the poorest states in the country. Estimates of poverty by the State government showed that in 2004-05, Damoh district had 56.6 per cent of rural population and 72.9 percent of urban population living in below poverty line conditions.

The bidi rollers in Baansa were paid Rs.65 per 1000 bidis rolled. The wage rate was Rs.62 during the previous year, 2015-16, and was revised to Rs.65 from 12th March 2016. For the year 2014-15 the rate was Rs.60 per 1000 bidis. Only one worker out of ten workers interviewed had a PF account. She said she was a permanent employee of Prabhudas Beedis. However she had no idea of how much money was there in her PF account. She had taken a loan from her PF account around 8 years ago.

The other workers were employed through a contractor, Ramji Bhai. They rolled bidis for ‘Telephone’ brand of bidis (brand owned by Prabhudas Kishordas Tobacco Products Private Limited). The workers were aware of a minimum wage for bidi rolling, and said it was around Rs.100 per 1000 bidis. They did not see any benefit in protesting and demanding better wages for their work. According to them, “Who would listen to us? If we strike Ramji Bhai will get the work done by someone else. There are many others ready to do this work.”

There was a collection centre in Baansa, where workers could deposit their finished beedis, and collect fresh tendu leaves and tobacco. The workers saw this as a big privilege, as they did not have to spend much time or money in dealing with the collection centre.

In Pipariya Ramnath village workers were paid Rs.60 per 1000 bidis. The rate had been revised in March earlier in the year. Before that workers were paid Rs.52 per 1000 bidis.

The workers in both villages said that there was a standard deduction of two bundles of 25 bidis per 1000 bidis that the contractor deducted as ‘free fund’. Further, another 50-100 bidis were removed as ‘poor quality’ during sorting. They on average had to deposit more than 1100 bidis to get payment for 1000 bidis. The bidi contractor in Madhya Pradesh was paid Rs.1.60 per thousand bidis. This was

substantially lower than the amount paid to contractors in Karnataka or West Bengal. Contractors reportedly took away from workers’ production between 100-150 bidis for each lot of thousand bidis. This was aptly called ‘free fund’.

Workers had to go to Baansa collection centre to deposit the completed bidis, and collect fresh tendu leaves and tobacco. As Baansa was 8 kms away, the workers had to travel by bus. The fare was Rs.5 each way. Workers typically went to the collection centre with 2000 completed bidis, and returned with meant half a day, in terms of time taken. The Rs.10 per trip (Rs.5 each way) was an added cost towards each batch of 2000 bidis. That is, each worker spent around 10 percent of what she was paid as fees as transport cost.

Workers in both PipariyaRamnath and Baansa said they worked between 8-9 hours rolling bidis each day. They said that they had a lot of house work, and could not manage more time for bidi rolling. They rolled between 700-800 bidis each day, totalling to around 4000 bidis in a week.

Prabhudas Kishordas Tobacco Products has 600 contractors in the area and produces a total of 2 crore bidi sticks per day. They have 7000 workers in Damoh-Saugor region as per their books. The rest of the workers are employed by the contractors. If we do a quick calculation, at 800 bidis per person, the 7000 workers on the books of the company would produce 56 lakh bidis, or just a fourth of the total production of the company. The remaining workers remained outside the company books. They would not have a PF account, or be paid the PF amount.

All the workers in both villages were members of SEWA. None of them had an ID card of membership of the Beedi Welfare Board. They did not know of any services that they could avail from the Welfare Board. They had no access to free medical care. They explained, “The nearest government centre is in Damoh town. Why would be go there and waste the money and time? We have a doctor here, the fee and medicine together costs less than the travel to Damoh and all the hassle.”

As one worker put it, “SEWA is a facilitating agency for us to get documentation work with government agencies done. To get a job card to avail work with the NREGA, we need a letter from the gram pradhan (village local government head). A SEWA official is entitled to issue a letter to the same effect. SEWA organisers help us avail social security benefits from the government.”

The SEWA activist with them explained that SEWA did not run a cooperative or a savings group in the villages. The activist added that administration in the Labour Department and Welfare Board was very lax. She said that they had stopped bothering with registering workers on to the Welfare Board. “We have filed for bidi cards several times they keep complaining that there is no stationary in the office and they can’t issue new cards. Money is never released under the bidi schemes. For the last 3-4 years no one has received any money under the Bidi welfare scheme. The officers are negligent. We try to get scholarships for the children under the SC/ST schemes. If the workers apply under the bidi Welfare Board schemes then they lose even the SC/ST scholarship money”. She added that bidi welfare cards were no longer being distributed by the Labour Department as they had run out of appropriate stationary for the cards! On worker could show her ID card from the Welfare Board dating back to 1996, but said she never used the Welfare Board for any purpose. The SEWA activist further said that the main work done with their membership was to get them scholarships and assistance from various Government schemes, and also complete the documentation and assist workers to get work under the NREGA Scheme. “As you have seen there isn’t enough money in the Bidi trade. After working for a week the worker hardly get Rs.200-250 whereas working in the farm fetches them around Rs.150 per day. If they get NREGA work they get Rs.160. Next month I am going to Delhi to
see if we can buy some machines and get these people involved in other trade such as agarbatti making.”

Discussions with the union leader of AITUC in Damoh city gave another view of the situation of bidi workers. The union had 600 bidi workers as members. They were all direct factory employees. They were paid the statutory Minimum Wage of Rs.103 per day. Each worker had a bidi worker welfare card. Wednesdays and Fridays were designated for distributing cards from the Welfare Board, and workers with their documents could get their cards. The union leader said that initially their members were also refused cards a few times, but then the union organised protests, after which there had been no problem in getting cards. However, he said that the workers went to the Damoh city primary health centre for health benefits, and did not refer to any Welfare Board hospital in the city. The leader also said that their small union was the only surviving union in the region organising bidi workers. The CITU had tried organising in the sector, but had given up.

The union leader also agreed that the situation could be very different for bidi workers in rural areas, and those employed through contractors. “There are some workers employed directly by the brand and working in the factory. Even those factories which are flouting all the government norms by declaring that they manufacture less than 20 lakh sticks need to show that they have some permanent workers on their roll. Our union strength comprises these workers and they are paid Rs.103.”

**Discussions with SEWA leader at Indore**

SEWA is registered as a trade union. Every state unit is registered as a trade union and then there is the central trade union registered in Gujarat. We charge Rs.5 per member per month as union fee. They are not issued any identity card. We give them the receipt of the membership fee submission. The Madhya Pradesh division of SEWA was started by Manorama Joshi in 1985. The union activities of the SEWA in Gujarat led to a shift of bidi manufacturing units to Madhya Pradesh, this pressed the need of organising women in this area as well.

When we started organising the workers here were working at very low wages. They did not have a PF account, but the deductions were made. If they would ask where is the money going they were told that the money is being credited in their father’s or husband’s name. Actually the contractors were depositing the money only for the male workers while the deductions were made for both the male and the female workers. They were threatened by the contractors as most of the factory owners are politically connected. Earlier they didn’t get any bonus. After our intervention there was a bonus on Rakhi and Diwali.

The minimum wage is Rs.92 for unskilled workers and Rs.100 for skilled workers. The minimum wage was decided in 2014 and then implemented some time in 2015. The wage is revised every 2 years. VDA revisions are notified by the government twice every year. In the rural areas there is a problem of wage. We have not been able to get the minimum wages implemented. You see they are too vulnerable. If we push of the implementation of minimum wage there is a threat that they will shift the industry to a different location. These are rural areas and people are ready to work for whatever

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33 National Rural Employment Guarantee Act (NREGA) in a Central Government supported scheme for rural employment. Under the scheme each family is supposed to get guaranteed 100 days work each year. However workers said they were never able to get more than 40-50 days of work under the scheme. The NREGA wage in Madhya Pradesh is Rs.167 per day. For the bidi worker this is substantially more than the money she can earn from bidi rolling.
money they can get. It is a part time job for them. They roll bidis in the lean period when there is no other work. So whatever little money they can get is good.

In the rural areas there is a problem of wage. We have not been able to get the minimum wages implemented. You see they are too vulnerable. If we push of the implementation of minimum wage there is a threat that they will shift the industry to a different location. These are rural areas and people are ready to work for whatever money they can get. It is a part time job for them. They roll bidis in the lean period when there is no other work. So whatever little money they can get is good.

There are people who can roll up to 2000 bidis a day. Rolling 1500 bidis is quite normal for them. Most women start rolling bidis around afternoon as this is just a part time work for them and roll only till 6-6:30. So they are never able to finish the targets. In Indore you will find that workers are getting Rs.100 per day.

**Statutory Minimum Wage for bidi rolling in Madhya Pradesh**

The Minimum Wage Notification effective from 1/10/2014 fixed the wage as follows:

<table>
<thead>
<tr>
<th>Wage head</th>
<th>Rs/1000 bidis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic wage</td>
<td>22.50</td>
</tr>
<tr>
<td>Dearness allowance (VDA)</td>
<td>42.71</td>
</tr>
<tr>
<td><strong>Basic wage</strong></td>
<td><strong>65.21</strong></td>
</tr>
<tr>
<td>Leave with wage (5%)</td>
<td>3.26</td>
</tr>
<tr>
<td>Bonus (8.33%)</td>
<td>5.70</td>
</tr>
<tr>
<td>Employer contribution to PF (10%)</td>
<td>6.85</td>
</tr>
<tr>
<td>Total wage+bonus+PF</td>
<td>74.17</td>
</tr>
<tr>
<td>Less employee contribution to PF</td>
<td>6.85</td>
</tr>
<tr>
<td><strong>Net payable</strong></td>
<td><strong>67.32</strong></td>
</tr>
</tbody>
</table>

There was a subsequent wage revision in 2014, as per the Gazette Notification of 12-12-2014. The Notification guaranteed Minimum Wage rate of Rs.515 per week to workers who rolled 5600 bidis. It however stipulated that workers who did not achieve this target would not be paid this wage, while also stipulating that if the worker could not achieve the target for non-provision of raw material, she would still be paid the guaranteed wage. This new wage would have worked out to nearly Rs.92 per 1000 bidis. The inflation compensation under the new Gazette continued at 1 paisa per CPI point on the 1960 CPI Index.  

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Issues

In all four states, there was an institutionalised system of wage exploitation that contractors engaged in dealing with the bidi rollers. The manufacturers turned a blind eye to this. They ensured this exploitation by their own system of commission that was not even adequate to pay the operational costs of the contractor. The worker was in fact made to subsidise the cost of managing the system.

In Maharashtra the contract system was replaced in some instances by the cooperative, but it was evident that the cooperative was merely a sham term for a modified contract system. In fact the cooperatives were large enterprises employing even up to 400 workers, and contracting out to various brands. While the company might have incurred some expense in supervising the cooperatives, this would have been compensated by not having to pay any contractor. The system of sham cooperatives is institutionalised in Maharashtra, where sugar cooperatives are used by powerful local leaders for private profit.

The factory based work in Maharashtra was better regulated. This was probably because of the presence of trade unions in the factories. However the trade unions were not able to get workers the statutory Minimum Wage. The trade union leader felt powerless to take up the issue in the face of industry threat that this would lead to migration of industry to Karnataka and Andhra Pradesh.

The complicity of the government in not regulating the system was clearly responsible for the number of gross violations of law in the industry. The AICCTU trade union leader said about the present West Bengal government: “When the current state government came to power in West Bengal, we had called for a meeting with the government at Baharampur. But the meeting degenerated into chaos as the ruling party started blaming the earlier party for not having done anything for the last three decades and thus refused to do anything declaring that this effort to raise minimum wages immediately after the government coming to rule was actually an effort to heckle the new government.” In Madhya Pradesh the SEWA activist explained how the Welfare Board and Labour Department officials refused to give membership cards to workers, or give them benefits due to them under the Bidi Welfare schemes. Even in Damoh city, while the AITUC leader said that all the union members who were also permanent bidi factory employees had Welfare Board cards, he said the workers still went to the primary health centre in the city for health treatment, and not to any hospital of the Bidi Welfare Board.

The claim of employers while opposing wage increase in the sector that this would result in closure of the industry is open to challenge. Clearly no industry would carry on activity unless it was profitable. However, the issue here is also whether the jobs the industry provides are decent enough for it to be worth preserving. Otherwise the argument of allowing anything including illegalities for preserving jobs can only lead to a race to the bottom. It is precisely to prevent this race to the bottom that the Minimum Wages Act 1948 was enacted along with other provisions to safeguard rights of vulnerable sections of the workforce. To quote Justice Gajendragadkar of the Supreme Court of India - “There is, however, one principle which admits of no exceptions. No industry has a right to exist unless it is able to pay its workmen at least a bare minimum wage.”

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35 Crown Aluminium Works v. Their Workmen AIR 1958 SC 30
Section 3: The Supply chain and its Impact on Employment in the Bidi industry

The bidi industry in India is characterised by dispersed production and dispersed markets. It is also characterised by a small number of large, registered enterprises and a large number of unregistered small manufacturers. The small enterprise produces less than 20 lakh bidis per annum. This is the limit set for the enterprise to avail tax concessions.

The large bidi manufacturers can typically have their production and markets dispersed across different states. The choice of production locations is often based on historical reasons of the manufacturer having experience of production in a certain area. The core of bidi manufacturing is bidi rolling which is carried out in dispersed homes, with the cycle of distribution of tobacco and tendu leaf, and collection of produced bidis undertaken through a network of contractors. It is not easy to create and maintain this labour intensive, but efficient and low cost chain of dispersed production. This is an important reason for the bidi manufacturer to stick to a particular region/regions for production. However, given the up-front financial investment requirement is very low, with small investment in bidi roasting and warehousing, the manufacturer can move production at short notice. The closure of bidi manufacturing in Kannur Kerala in 1968 by the Mangalore Ganesh Bidi Works is a significant example of large scale shifting of production by a company in the bidi sector. One important reason for the company shifting production was the attempt of the then Kerala government to enforce the law. At that time it was possible for the workers and their trade unions to come together and form the Dinesh Bidi worker cooperative.

There are three major cost elements that determine the final cost of the bidi at its selling point. One is the labour cost, the major share of which is bidi rolling. The second is the raw material cost, primarily tobacco and tendu leaf. The third is the duties and tax structure, which is different across the states in India. We shall in this section attempt to analyse the structure of the supply chain and the cost elements along the supply chain. In the context we shall also try to show that illegality is not just endemic, but a necessary component of the bidi supply chain.

The production process

The study team was able to have detailed discussions on the production process with senior managers of Bharat Bidi Works and South Kanara Home Industries (subsidiary of Mangalore Ganesh Bidis) in Mangalore, and Jyothi Home Industries (subsidiary of Mangalore Ganesh Bidis) in Bangalore. On the basis of the above discussions, the following emerge as salient features of the production process.

At Bharat Bidis the production of bidis was carried out in Karnataka (mainly South Kanara), Kerala (Kasargod), Andhra Pradesh and West Bengal. There were 12 collection/production units in South Kanara. The units worked with 45000 bidi rollers organised through 750 contractors. In Kasargod there were 4 collection/production units, which worked with 20000 bidi rollers organised through 300

contractors. These were the old production areas for Bharat Bidis. The company had opened bidi production operations in Andhra Pradesh and West Bengal in the last decade, in order to take advantage of the much lower wages in these states. It had 3 production units in Andhra Pradesh and 2 “suppliers” in West Bengal. The manager specifically categorised the production units in West Bengal as “suppliers” as he said these were presently only production subcontracting arrangements, and the management was yet to take a decision on investing in production facilities. The company had in the past also opened a production facility in Tamil Nadu. However they discontinued it as they found that the unit was producing its own bidis and labelling them with the Bharat Bidi brand to sell in the market. On an inspection of the production factory unauthorised stocks Bharat Bidi labels were found, which the production unit was using on bidis it procured from the outside market. He said that the problem of spurious brands was endemic, and all brands suffered from this. The unregulated small units were able to sell their bidis under popular labels at much lower costs, as they did not have to pay duties or conform to minimum wage norms. He said that typically the small manufacturer would pay workers the minimum wage plus say Rs.5 more, saving on the costs of Provident Fund, bonus and other social security measures.

The manager in the context explained the logic of seeking to go outside Karnataka for sourcing bidis. He said that they did not take responsibility for the employment relations in the production units in Andhra Pradesh and West Bengal. He claimed that they had a fixed contract arrangement under which they procured rolled and packed bidis ready for sale in Andhra Pradesh for Rs.130 per kg; and in West Bengal for Rs.105 per kg. As against this he claimed that the wage cost including social security and what was paid to the contractors was around Rs.190 per kg for bidis manufactured in Karnataka. The unregulated bidi manufacturers in Karnataka were able to get their bidis at around Rs.140 per kg.

The Mangalore Ganesh Bidi Works Private Ltd. was established in the mid forties. It is one of the pioneers in large scale bidi manufacture in the country. The company organised its bidi production through “independent” production units. There were three units in Mangalore: South Kanara Home Industries, Gurukripa Home Industries, and Deepak Home Industries; one in Bangalore: Jyothi Home Industries; one in Tamil Nadu: Murugan Home Industries. These were old production units. The Bangalore unit was legally incorporated as a private limited company, while the other units were partnership companies. The reason for organising these units differently was not explained. However the manager at Jyothi Home Industries said that while they were nominally designated as “partners” in these joint ventures, for all practical purposes these were wholly owned units of the parent Mangalore Ganesh Bidis, and the “partners” were in reality only employees.

The company through its various production joint ventures and a network of contractors employed a total of around a hundred thousand bidi rollers, 60000 in South Kanara, 25000 in Bangalore and the remaining in Tamil Nadu and Andhra Pradesh. Interestingly the manager at Jyothi Home Industries in Bangalore said at different times during the discussion that they through their contractors worked with 25000 bidi rollers, while they had only 1500 bidi rollers formally on their roles. He also claimed that many bidi rollers worked with contractors for various brands, and were no longer engaged with a single brand.

We could reasonably conclude that the purpose of Mangalore Ganesh Bidis of setting up independent legal entities for production was to insulate itself from responsibility for the very large number of bidi
rollers it dealt with. The Contract Labour Act in India places strict responsibility on the principal employer. We can possibly also see the importance of history in this action. Mangalore Ganesh Bidis at one time had a large proportion of its bidi manufacturing in Kannur district in Kerala. This was then organised as factory based work. The company had to close production because of the then Kerala government strictly enforcing labour laws. It might have decided then that it would organise production under separate legal entities to insulate itself from direct responsibility for employee relations. Jyothi Home Industries was established in 1971, soon after the closure by Mangalore Bidis of their production in Kannur in 1968. It is also probably due to this history of having to close production that the company never went back to Kerala to organise production. The manager at South Kanara Home Industries in Mangalore specifically mentioned that the parent company had no production unit in Kerala because of historical reasons.

The company had recently started a new production unit in Andhra Pradesh in order to access cheap labour. They also had for some time operated a production facility in West Bengal, but closed it down because of bad quality. They found that the West Bengal facility cut back quantity of tobacco, and even used inferior quality of tobacco and tendu leaf, while diverting the raw material the company supplied to its own other uses.

While bidi rolling was dispersed among home based workers, the rolled bidis in bundles of 25 were collected by the contractors and brought to the production units. Here the bidis were checked for quality, and then roasted in the roasting bays in the production units. This was the only centralised process. The roasted bidis were once again sent out through another set of contractors to home based workers to be wrapped and labelled. The number of workers in this operation was only around 2 percent of the number in bidi rolling.

The Minimum Wage notification for Karnataka for 2014-15 specified the Minimum Wage for 1000 bidis rolled, and for 50000 bidis bundled and labelled, with the notified wage being comparable (Rs.150.88 for bidi rolling and Rs.164.88 for bidi bundling). The bundled bidis came back to the production units, from where they were transported to the markets.

Understanding the supply chain

Both Mangalore Ganesh Bidi Works and Bharat Bidi Works are leading bidi manufacturers from Karnataka. However, their major markets are in the north, while the production is done within Karnataka and in other states. In that respect they exemplify the dispersed nature of the Indian bidi supply chain.

Bharat Bidis and Mangalore Ganesh Bidis source their tobacco from Gujarat and Nipani in North Karnataka. The tendu leaf is sourced from Madhya Pradesh, Rajasthan and Orissa. The manager at Jyothi Home Works said that Mangalore Ganesh Bidi had tried sourcing tendu leaf from Chhattisgarh, but the leaf was too stiff to roll good bidis. The companies said that they had their specific mix of various kinds of tobacco which defined the uniqueness of their brands. Therefore even while the

37 *ibid*

38 labour.kar.nic.in/labour/notificationsonminimum.htm
production was dispersed, procurement of raw material was centralised, to ensure quality. The tobacco was premixed and supplied to the production centres.

The production centres are the nodal points for bidi production. The raw material comes to the production centre, and is given out through contractors to the bidi rollers. The rolled bidis come back to the centre, is roasted, and sent out for packing and bundling. The packed bidis are then stored in company warehouses at the production centres, waiting transportation to the markets. The centres would be critical for ensuring quality, maintaining accounts, and ensuring that financial leakages did not happen. We see why companies like Mangalore Ganesh would incentivise the role of the manager of the production centre, through partnership arrangements, to ensure loyalty. We see here also why it would be a difficult decision for large bidi manufacturers to shift production base, even if the investment cost is low.

The market for bidis is also dispersed across the country, with different bidi brands enjoying popularity in different states. While Bharat Bidis manufactured bidis in Karnataka, Kerala, Andhra Pradesh and West Bengal, its main markets were in Karnataka, Gujarat, Madhya Pradesh and Rajasthan. For Mangalore Ganesh Bidis, while production was done in Karnataka, Tamil Nadu and Andhra Pradesh, the major markets were the in northern and central India. In contrast, the Uttar Pradesh based Shyam Bidis sourced its raw material of tobacco and tendu leaf mainly from Gujarat, Andhra Pradesh and Chhattisgarh; its production carried out from West Bengal, Jharkhand and Bihar; and its main markets were Delhi, Haryana, Rajasthan and West Bengal. Sable Waghire manufactured bidis in Maharashtra, and sold them in Gujarat and Madhya Pradesh.

The bidi was sold in each state through a system of wholesalers. The manufacturers said that payment terms were in general cash on delivery, and there was no supplier credit. This was confirmed by a bidi wholesaler with Mangalore Ganesh Bidi.

The manager at South Kanara Home Industries said that one major problem faced by the bidi industry in the south was that both the raw material and growing markets were in the north, east and central India. This combined with the high wages in the southern states made sustaining the industry in the south a difficult task. Mangalore Ganesh Bidi at one time used to manufacture 13-14 crore (1 crore=10 million) bidis per day, while presently it was down to making around 5 crore bidis per day. The decline in bidi production was also reported by Bharat Bidi. The argument of high wage cost was used by the manufacturers in Karnataka to successfully petition the Karnataka Labour Department to not add the inflation linked VDA component to the Minimum Wage for the year 2015-16.

**The economics of bidi industry**

Industry estimates for bidi production in Karnataka for the year 2015-16 was around 80 crore bidis per day.\(^{39}\) The average price in registered bidi production was Rs.15-17 per packet of 25 bidis while it was Rs.12-13 per packet in unregistered bidi production. Considering average price of bidi at Rs.14 per packet, the turnover for the industry was around Rs.45 crores per day, or Rs.16300 crores per annum. The annual turnover for the large bidi companies, Mangalore Ganesh Beedi with estimated 5 crore

\(^{39}\) Estimate from Bharat Bidi and Mangalore Ganesh Bidi managers
bidos per annum and a sales realisation from the wholesaler of Rs.12.50 per packet would be around Rs.900 crores, and for Bharat Beedi around Rs.750 crores. Therefore the size of the industry is large, and the big manufacturers would still command substantial economic clout.

Table 5: Cost per bidi

<table>
<thead>
<tr>
<th></th>
<th>Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour (Rs.170/1000 bidi)</td>
<td>0.17</td>
</tr>
<tr>
<td>Tobacco (Rs.170/5600 bidi)</td>
<td>0.03</td>
</tr>
<tr>
<td>Tendu leaf (Rs.150/2200 bidi)</td>
<td>0.07</td>
</tr>
<tr>
<td>Other costs (Rs.40/1000 bidi)</td>
<td>0.04</td>
</tr>
<tr>
<td>Total cost</td>
<td>0.31</td>
</tr>
<tr>
<td>CST (Rs.15.80/1000 bidi)</td>
<td>0.02</td>
</tr>
<tr>
<td>Welfare cess (Rs.5/1000 bidi)</td>
<td>0.01</td>
</tr>
<tr>
<td>Cost per bidi</td>
<td>0.33</td>
</tr>
</tbody>
</table>

Table 5 is based on the cost data given by a senior manager at Bharat Beedi. The labour cost is based on averaging production cost for bidi production in Karnataka, assuming half the bidi rollers were employed on the company rolls, and received PF and other benefits. The “other costs” include cost of contractor, cost of roasting of bidi, transport cost and cost of labelling. Finance costs are not included. The Bharat Bidi manager explained that the bidi industry is cash rich, and as such is able to finance its working capital needs. However a more accurate costing would impute an opportunity cost for use of funds in the sector.

The No.30 brand bidi of the company was available in the retail market for Rs.16 for a packet of 25 bidis, or 64 paise per bidi. This was the standard packet price for most bidis in the state. The retailer said that he was supplied bidis by the wholesaler for Rs.270 for a bundle of 20 packets. That is, the cost to the retailer was 54 paise. The industry margin to the wholesaler was only around 4 paise for an established bidi company like Bharat Beedi Works. Therefore the manufacturer received around 50 paise per bidi from the wholesaler. The revenue per bidi to Bharat Beedi net of excise was therefore around 48 paise. Given the cost per bidi estimated at 33 paise, the company made a very good profit margin of 30% on its net sales revenue.

Impact of Value Added Tax (VAT)

Officers of the company at both Bharat Beedi Works and Mangalore Ganesh Beedis referred to the variable VAT applicable in different states, and how it had a detrimental effect on trade. Bharat Beedi Works had a large market in Rajasthan, where the incidence of VAT was the highest in the country, at 65%. The management alluded to large demands of bribe from officials to reduce the VAT rate. It would be useful to analyse the impact of VAT on profitability in the industry.

Table 6 gives details of rate of VAT in different states in the country for bidi and other tobacco products.
### Table 6: VAT on tobacco products in different states

<table>
<thead>
<tr>
<th>Sn</th>
<th>State/UT</th>
<th>VAT 2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Cigarette</td>
</tr>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>20.0%</td>
</tr>
<tr>
<td>2</td>
<td>Arunachal Pradesh</td>
<td>20.0%</td>
</tr>
<tr>
<td>3</td>
<td>Assam</td>
<td>30.0%</td>
</tr>
<tr>
<td>4</td>
<td>Bihar</td>
<td>20.0%</td>
</tr>
<tr>
<td>5</td>
<td>Chandigarh</td>
<td>20.0%</td>
</tr>
<tr>
<td>6</td>
<td>Chhatisgarh</td>
<td>21.5%</td>
</tr>
<tr>
<td>7</td>
<td>Delhi</td>
<td>20.0%</td>
</tr>
<tr>
<td>8</td>
<td>Goa</td>
<td>25.0%</td>
</tr>
<tr>
<td>9</td>
<td>Gujarat</td>
<td>30.0%</td>
</tr>
<tr>
<td>10</td>
<td>Haryana</td>
<td>21.0%</td>
</tr>
<tr>
<td>11</td>
<td>Himachal Pradesh</td>
<td>36.0%</td>
</tr>
<tr>
<td>12</td>
<td>Jammu &amp; Kashmir</td>
<td>40.0%</td>
</tr>
<tr>
<td>13</td>
<td>Jharkhand</td>
<td>32.0%</td>
</tr>
<tr>
<td>14</td>
<td>Karnataka</td>
<td>20.0%</td>
</tr>
<tr>
<td>15</td>
<td>Kerala</td>
<td>30.0%</td>
</tr>
<tr>
<td>16</td>
<td>Madhya Pradesh</td>
<td>37.0%</td>
</tr>
<tr>
<td>17</td>
<td>Maharashtra</td>
<td>35.0%</td>
</tr>
<tr>
<td>18</td>
<td>Manipur</td>
<td>13.5%</td>
</tr>
<tr>
<td>19</td>
<td>Meghalaya</td>
<td>27.0%</td>
</tr>
<tr>
<td>20</td>
<td>Mizoram</td>
<td>30.0%</td>
</tr>
<tr>
<td>21</td>
<td>Nagaland</td>
<td>25.0%</td>
</tr>
<tr>
<td>22</td>
<td>Odhisa</td>
<td>25.0%</td>
</tr>
<tr>
<td>23</td>
<td>Punjab</td>
<td>33.0%</td>
</tr>
<tr>
<td>24</td>
<td>Rajasthan*</td>
<td>As per length</td>
</tr>
<tr>
<td>25</td>
<td>Sikkim</td>
<td>22.0%</td>
</tr>
<tr>
<td>26</td>
<td>Tamil Nadu</td>
<td>30.0%</td>
</tr>
<tr>
<td>27</td>
<td>Tripura</td>
<td>25.0%</td>
</tr>
<tr>
<td>28</td>
<td>Uttar Pradesh</td>
<td>45.0%</td>
</tr>
<tr>
<td>29</td>
<td>Uttrakhand</td>
<td>20.0%</td>
</tr>
<tr>
<td>30</td>
<td>West Bengal*</td>
<td>As per length</td>
</tr>
</tbody>
</table>

There is wide variation in the rate of VAT for various tobacco products across the country. The incidence of VAT is lowest on bidis in most states, on claims of the industry that bidi is relatively harmless, and it is the poor man’s cigarette. Justifiably, given the clear and strong evidence of link between chewable tobacco and mouth cancer, the VAT on chewable tobacco products is higher that on bidis in most states, with chewable products being banned in some of the states.

In the context, Rajasthan is one of the few states where the VAT on bidi is higher than on chewable tobacco. The Rajasthan government in January 2015 lowered VAT on cigarette and tobacco products, except for bidis from the existing 65% to VAT linked to length of cigarette; and 45% for chewing tobacco products. It retained the VAT on bidi at 65%. The Health Minister Rajendra Rathore defended
the government’s decision saying “High VAT does not mean low consumption, otherwise tobacco use would vary across states based on VAT. The government is committed to curbing tobacco use and we are doing it through various campaigns.”\textsuperscript{40} In that case there would have been no justification to cut VAT on cigarettes or other tobacco products either.

The Rajasthan government apparently responding to criticism of its reducing VAT on cigarettes and tobacco products changed the VAT structure in August 2015 on cigarettes from a fixed percentage to a VAT rate based on length of the cigarette. However if we examine the impact more closely we cannot be sure if the change represented an increase or a decrease in VAT rate. The popular ITC brand of Wills Navy Cut is 74mm in length and therefore would by the new VAT dispensation be in the Rs.1750 per 1000 cigarettes category, or Rs.1.75 per cigarette. The retail price of the cigarette in March 2015 was increased to Rs.78 for a pack of ten cigarettes.\textsuperscript{41} Therefore the VAT on the cigarette in Rajasthan would have been Rs.17.50 for a pack of ten cigarettes, or 22.4% of the retail price. It is difficult to calculate this as percentage of value added, without having a clear idea of the cost and margins for cigarettes along the supply chain.

Managers of Bharat Bidi Works and Mangalore Ganesh Bidi Works in separate discussions claimed that the reduction on VAT for cigarettes and chewing tobacco came because of financial consideration paid by the manufacturers for these products. They also claimed that a similar offer was there for bidi manufacturers. This might be contributory point on why Bharat Bidi might continue to sell bidi in Rajasthan despite the high rate of VAT. There might be an expectation in the industry that VAT rates would be reduced. The managers in both the companies said that after the introduction of the general Sales Tax (GST), there would anyway be equalization of rates across states. The point here is that decisions along the supply chain for bidi manufacturers are complex and dependent on various factors of competition, actual labour cost on the ground, tax structures, and expectation of changes in fiscal policy. They would also depend on historic structures of manufacturing and sales, built over years of nurturing supply and marketing links. Both Bharat Beedi and Mangalopre Ganesh Beedi officials placed considerable importance on loyalty and tradition.

The issue to be still analysed is how VAT would affect profitability of companies in different markets. Table 7 gives estimates of profitability for companies manufacturing bidis in different states. The three major variables affecting profitability would be price of bidis in different state markets; labour cost, in particular cost of bidi rolling; and the structure of VAT.

\textsuperscript{40} Indian Express, January 16, 2015, updated on June 16, 2015

\textsuperscript{41} www.livemint.com › Industry › Manufacturing, Mar 13, 2015, “ITC to raise price of all its key brands”
Table 7: Financial analysis for regulated bidi production

<table>
<thead>
<tr>
<th></th>
<th>Karnataka</th>
<th>Maharashtra</th>
<th>Madhya Pradesh</th>
<th>West Bengal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales price (MRP per bidi)</td>
<td>0.65</td>
<td>0.70</td>
<td>0.50</td>
<td>0.40</td>
</tr>
<tr>
<td>Sales realisation (less 20% trade margin)</td>
<td>0.52</td>
<td>0.56</td>
<td>0.40</td>
<td>0.32</td>
</tr>
<tr>
<td>Material and manufacturing cost (25% sales realisation)</td>
<td>0.13</td>
<td>0.14</td>
<td>0.10</td>
<td>0.08</td>
</tr>
<tr>
<td>Value added</td>
<td>0.39</td>
<td>0.42</td>
<td>0.30</td>
<td>0.24</td>
</tr>
<tr>
<td>Labour cost (rolling/1000 bidis)</td>
<td>170.00</td>
<td>150.00</td>
<td>65.00</td>
<td>135.00</td>
</tr>
<tr>
<td>Labour cost per bidi (rolling cost as 90% total cost)</td>
<td>0.19</td>
<td>0.17</td>
<td>0.07</td>
<td>0.15</td>
</tr>
<tr>
<td>Contractor cost (per 1000 bidis)</td>
<td>13.00</td>
<td>10.00</td>
<td>1.60</td>
<td>5.40</td>
</tr>
<tr>
<td>Contractor cost per bidi</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>VAT rate</td>
<td>0.0%</td>
<td>12.5%</td>
<td>37.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>VAT</td>
<td>0.00</td>
<td>0.05</td>
<td>0.11</td>
<td>0.00</td>
</tr>
<tr>
<td>VAT+labour cost per bidi</td>
<td>0.19</td>
<td>0.22</td>
<td>0.18</td>
<td>0.15</td>
</tr>
<tr>
<td>Sales net VAT</td>
<td>0.52</td>
<td>0.51</td>
<td>0.29</td>
<td>0.32</td>
</tr>
<tr>
<td>Cost per beedi</td>
<td>0.33</td>
<td>0.32</td>
<td>0.17</td>
<td>0.24</td>
</tr>
<tr>
<td>Operating margin</td>
<td>0.19</td>
<td>0.19</td>
<td>0.12</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Note: Contractor cost in Karnataka is taken as average of cost for Mangalore Ganesh Beedis for bidi production in Mangalore and Bangalore. In Maharashtra, there are not many contractors in Sholapur and Sangamner. Instead we have assumed a rate of Rs.10 per 1000 bidis as the cost companies incur to supervise bidi production in factory premises, or manage bidi cooperatives.

The sales realisation to manufacturers has been assumed based on 20% trade margin. This is a reasonable assumption, given the actual trade margin for four brands in Karnataka ranged from 16% to 23%. Material cost including electricity etc. has been assumed as 25% of the sales realisation. This is in line with Annual Report figures for major bidi manufacturers in the four states. Labour cost has been calculated assuming cost for bidi rolling constitutes 90% of the total labour cost in the industry. This is the estimate given by industry experts. We can see that the cost per bidi in this calculation for Karnataka closely matches the figures obtained for bidi manufacture in the state by Bharat Beedis.

It would be useful to understand these figures better. Labour cost in bidi rolling is a significant proportion of total cost. It varied from 42% of the cost of the bidi in Madhya Pradesh, to 64% in West Bengal. The industry is labour intensive. However, what is also of interest is that Rs.15 increase per 1000 bidi in the Minimum Wage would translate into only a per bidi cost increase of 1.5 paisa. Three paisa increase in the sale price per bidi even after accounting for taxes and duties would be sufficient to cover this wage increase. That is, with less than Re1 increase in price for a pack of 25 bidis, wages for bidi rollers can increase by Rs.15, or nearly 10 percent. This is not a high increase in price for bidis.

In the context, it is worthwhile discussing the Karnataka government freeze on the bidi wage in its notification of April 2015, denying workers VDA of Rs.13.25 per 1000 bidis calculated on the basis of the increase in the consumer price index. The state Labour Department did this in response to the
industry plea that the wage increase during the year would impact market share and profitability, in turn impacting the ability of companies to continue manufacturing of bidis in the state. According to the bidi workers’ unions, the manufacturers went ahead and increased the price for bidi by Rs.40 per 1000 bidis in February 2015 claiming the wage would increase, and thus gained both from the price increase and the wages not going up.

Another important cost factor deciding the final bidi cost is the VAT. However the issue of VAT needs a more careful analysis. VAT would certainly play an important part in determining the total cost of the bidi in the state of manufacture. The zero VAT is a big incentive to the bidi manufacturers in Karnataka and West Bengal. However, does it have a significant influence on the profitability when companies are bringing bidis from outside to sell in states with high VAT? For instance, what would be the incidence of VAT for Bharat Bidis, selling in Rajasthan? The company could transfer the product to the wholesaler in Karnataka, with zero incidence of VAT. Assuming 20% retail margin, the retailer would be required to pay the Rajasthan government VAT on the 20% value addition happening within the state. The effective VAT rate would therefore be only 6.5%. Given that bidi retail happens primarily from small roadside kiosks, the actual collection of VAT by the government from sale of Bharat Bidi’s No.30 brand bidis cannot be very significant. Therefore it is doubtful if even the high VAT rate actually impacts the company sales. It would only serve to benefit bidi manufacturers in Karnataka and West Bengal in comparison with manufacturers in other states with higher VAT incidence.

It is interesting that when we add VAT to the labour cost per bidi, there is a remarkable correspondence of VAT+Labour costs across the states. If we leave out West Bengal, the figure for VAT+labour cost narrowly between 18 paise in Madhya Pradesh and 22 paise in Maharashtra. It may not be coincidental that the VAT rates are lowest where labour costs are highest. There would have been more pressure from manufacturers in states with higher labour costs for fiscal incentives. We see how states work to socialise wage costs, and subsidise industry.

Third, we can also only speculate on the extent of underreporting of sales and hence underpayment of taxes and duties. The manufacturers while discussing competition with the unregulated sector talked of large scale smuggling in bidi. We cannot be sure if they would also have systems of buying bidis from the unregulated sector to escape paying wages and benefits to workers in full, or selling bidi through unregulated channels to save on VAT and state entry levies. The Annual Reports for Bharat Beedis showed significant purchase of bidis in the year 2014-15. We estimate for the year 2014-15 that the company purchased from other manufacturers nearly 10 percent of its annual turnover of bidis.

Details from the factory manager of Sable Waghire seem to corroborate some of the figures in Table 7. Tendu leaves were bought from the government auction where the price per kg of tendu leaves had been oscillating between Rs.160-170 for the last 2-3 years. The leaves bought from MP were transported to Maharashtra for rolling. The transportation cost is Rs.50000 per truck. One truck carried 10 tonnes of tendu leaves. Therefore transport cost worked out to Rs.5 per kg. The tobacco was bought from government auction centres in Gujarat. Per kg price of tobacco had been Rs160 for the last 2 years. The transport cost of Tobacco was also Rs.50000 per truck. One kg tendu leaf and half kg tobacco produced 1400 bidis. The cost per bidi for tobacco, tendu leaf and labour together worked out
to Rs.0.32; as against Rs.0.27 per bidi in the case of Bharat Beedis. While Sable Waghire bidis were manufactured mostly in Maharashtra, the bidis sold for the most part in Gujarat and Madhya Pradesh.

The segmented bidi market

Industry sources claimed that there was an average difference in retail price between regulated brands and unregulated brands of Rs.4 per pack of 25 bidis in the southern and around Rs.5 per pack in the northern states. That is a 25-30% price difference. This would indicate the substantial savings to be made by not implementing regulation on wages and taxes. Industrial sources for Karnataka claimed that around half the bidi sold in the state comes from the unregulated sector. This is corroborated by data from the Labour Bureau, Government of India study of the bidi industry in Madhya Pradesh in April-May 2001 quoted earlier, that only 55.7% of bidi workers received the Minimum Wage.\(^{42}\) The assumption that all workers who do not receive the Minimum Wage are in the unregulated sector is not true, given the prevalence non-regulation of wage even in regulated sector. However what can be reasonably deduced is that the unregulated sector in the bidi industry is substantial, and would impact pricing in the sector.

The market for bidis in different states across the country appears to be quite rigidly segmented. There is a price band for bidis in each state, with considerable variation from one state to another. Table 8 gives details of price of bidi brands sourced from different states. The variation and disparity in prices between states would seem to suggest that neither shifting production nor markets might be as simple a matter as it made out to be by producers. From the figures we see bidi prices varying at the lowest end in West Bengal, around 40 paise per bidi; with the price in Madhya Pradesh varying around 50 paise; in Karnataka around 64 paise; and in Maharashtra around 70 paise. The variation between the price bands is substantial, between 10 to 20 percent. The lowest priced bidi in West Bengal had a sales price less than half the price of the most expensive bidi in Maharashtra. This is quite substantial. This would indicate two factors. First, the market is segmented by taste in bidi smoking. Second, there is also likelihood of segmentation in terms of the ability to pay of the consumer. The cheapest bidis are also available in smaller pack sizes. One could argue that consumers of these bidis may not be able to afford to buy more expensive bidis in larger pack sizes. It is also worth noting that states in our sample with the highest prices – Karnataka and Maharashtra – are also states that have the highest operating margins (see Table 7 above).

Table 8: Market price of select bidi brands

<table>
<thead>
<tr>
<th>Rates in Kolkata, West Bengal</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Name</td>
<td>Beedi/pack</td>
<td>Price/pack (Rs)</td>
<td>Price/beedi (Rs)</td>
</tr>
<tr>
<td>Lili beedi</td>
<td>14</td>
<td>5</td>
<td>0.36</td>
</tr>
<tr>
<td>Shubham</td>
<td>15</td>
<td>5</td>
<td>0.33</td>
</tr>
<tr>
<td>Uttam</td>
<td>15</td>
<td>6</td>
<td>0.40</td>
</tr>
<tr>
<td>Bengal</td>
<td>15</td>
<td>2</td>
<td>0.40</td>
</tr>
<tr>
<td>Pataka</td>
<td>15</td>
<td>5</td>
<td>0.33</td>
</tr>
</tbody>
</table>

\(^{42}\) labourbureau.nic.in/MW3ch8.htm
The proposition of a clearly segmented market would therefore call to question the threat held out by industry that manufacturers will shift production to other states if there are increased wage demands. The information from the states indicate both production and markets to be segmented. It is evident that manufacturers in Karnataka or Maharashtra would find it difficult to sell their brands of bidis in say West Bengal. There are strong price barriers that would restrict entry of brands into new markets. The type of bidi sold at a higher price in Maharashtra or Karnataka would be very different from that sold in West Bengal. Surely the skill and effort required to make the more expensive bidi sold in Maharashtra or Karnataka would be very different from that for bidis sold in West Bengal. Conversely, the wage cost for making bidis for these different markets would also be very different. This might be the reason for Mangalore Ganesh Bidi finding its experience of trying to source bidis from West Bengal very unsatisfactory, and being forced to discontinue the attempt.

**Profitability in the sector**

A constant refrain of the bidi industry is that they are faced with a declining market. They claim that wages cannot be increased, and the Minimum Wage Act cannot be strictly implemented because of declining margins. There is a constant attempt to pull down wages in the sector, and to resist regulatory measures. However available company financial reports indicate a very different picture. We can see from the figures in Table 9 that major bidi manufacturers in the four states studied made substantial profits from very healthy turnover in the industry. Two of the companies, Bharat Beedis and Mangalore Ganesh Beedis had most of their manufacturing activity in Karnataka, where actual wages were among the highest for the industry in the country.

**Table9: Comparison of turnover and profitability for major bidi manufacturers**
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rs.crores)</td>
<td>342.03</td>
<td>404.56</td>
<td>473.12</td>
<td>563.6</td>
<td>769.79</td>
</tr>
<tr>
<td>Profit before tax (PAT) (Rs. crores)</td>
<td>49.42</td>
<td>35.90</td>
<td>44.22</td>
<td>67.70</td>
<td>86.79</td>
</tr>
<tr>
<td>Net worth/share (Rs.) (par value Rs.100)</td>
<td>56886</td>
<td>11500</td>
<td>50556</td>
<td>na</td>
<td>2974</td>
</tr>
</tbody>
</table>

*Source: Annual Reports from the MCA web site; [www.icra.in](http://www.icra.in) for Mangalore Ganesh Beedis*

Analysis of the financial reports of some of the bidi manufacturers showed how the companies are closely held by a small group of promoters, and the promoters continue to benefit substantially from this industry.

In the case of SBW Udyog Limited, the Uttar Pradesh based manufacturers of Shyam bidi, the latest company financial return available on the Ministry of Corporate Affairs (MCA) website was for the year 2009-10. The company had an income for the year of Rs.121.37 crores, and made a net profit for the year of Rs.3.95 crores. The Memorandum of Association showed a limited company was registered on 17 December 1985 with two shareholders, Mr. Shyama Charan Gupta and his wife, each holding 50% of the shares at the time of incorporation as a private limited company. The company was formed with the main object “to purchase, take over or otherwise acquire the running business presently carried on by M/s Shyam Biri Works and Shyam Enterprises…” The company is evidently a tightly owned and controlled business enterprise.

Pataka Biri Manufacturing Company Private Limited was incorporated on December 2, 1985 with the main object to “purchase and take over as a going concern the partnership business …..under the style of Bharat Biri Factory….”. The stand alone Profit and Loss statement on the MCA website for the year 2010-11 showed a net profit of Rs.62 crores on a turnover for the year of Rs.800 crores. The company Balance Sheet for the same year showed the company had accumulated reserves of Rs.382.33 crores on a paid up share capital of Rs.13.3 crores. That is the net worth of the company was 30 times its share capital.

The Annual Statements of Accounts for Bharat Beedi Works (Table 10 below) shows the company made very healthy profits of Rs.35.90 crores on turnover of Rs.404.56 crores for the year 2014-15. It is interesting to note that the average material and labour cost for the year closely tally with the cost figures provided by the management (see Table3). The profit margin of around 9% in the case of Bharat Beedi Works is very good for a consumer products company. The vulnerability of the company to labour cost is also evident. The cost head of Miscellaneous Costs would be primarily labour cost, as all other major cost elements are detailed out separately. We can see that Miscellaneous Costs as percentage of revenues is nearly 50%. However, we should also add that a 10 paisa increase in per bidi price would increase revenues over Rs.100 crores for the company for the year 2014-15. This would be more than adequate to increase wages by 50 percent.
Table 10: Annual Reports Bharat Beedi Works Private Limited

<table>
<thead>
<tr>
<th></th>
<th>2013-14 (Rs. crores)</th>
<th>2014-15 (Rs. crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from beedi sales</td>
<td>407.59</td>
<td>404.56</td>
</tr>
<tr>
<td>Sales net excise</td>
<td>389.29</td>
<td>387.30</td>
</tr>
<tr>
<td><strong>Cost of sales:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material consumed (tobacco, leaf, yarn)</td>
<td>82.77</td>
<td>82.60</td>
</tr>
<tr>
<td>Purchase of beedis</td>
<td>22.23</td>
<td>30.03</td>
</tr>
<tr>
<td>Other expenses</td>
<td>228.70</td>
<td>239.62</td>
</tr>
<tr>
<td>- Miscellaneous expenses</td>
<td>186.76</td>
<td>194.61</td>
</tr>
<tr>
<td>- Packing</td>
<td>10.08</td>
<td>10.33</td>
</tr>
<tr>
<td>- Freight</td>
<td>15.80</td>
<td>16.63</td>
</tr>
<tr>
<td>Beedis sold (crore beedis)</td>
<td>1174</td>
<td>1098</td>
</tr>
<tr>
<td>Purchase of beedis (Rs.300/1000 beedis)</td>
<td>74</td>
<td>100</td>
</tr>
<tr>
<td>Own beedis sold (crores)</td>
<td>1100</td>
<td>998</td>
</tr>
<tr>
<td>Revenue/1000 beedis</td>
<td>347.18</td>
<td>368.45</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>46.42</td>
<td>35.90</td>
</tr>
<tr>
<td><strong>Material/1000 beedis</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>75.25</td>
<td>82.77</td>
</tr>
<tr>
<td><strong>Misc expense/1000 beedis</strong></td>
<td>169.80</td>
<td>195.02</td>
</tr>
<tr>
<td><strong>Packing expense/1000 beedis</strong></td>
<td>9.16</td>
<td>10.35</td>
</tr>
<tr>
<td><strong>Freight/1000 beedis</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14.36</td>
<td>16.66</td>
</tr>
</tbody>
</table>

*Source: Annual Reports from the MCA website*

Table 11 compares financial ratios for the company Bharat Beedis Works from Karnataka and Sable Waghire & Co Private Limited in Maharashtra. Both companies have comparable business operations. Both are primarily beedi manufacturers. Sable Waghire had a very small proportion of its turnover from biscuit manufacture, of Rs. 7.3 crores, or around just 2% of turnover for 2014-15. It is interesting to note that the ratio of raw material to sales for both companies was quite comparable. The ratio did not also change much from one year to the other. The ratio of employee cost to sales for the two companies differed only by 3% during 2014-15.

These comparisons are of significance when we consider the constant pressure brought in by manufacturers that wages cannot be increased to maintain competitiveness. We see that methods for structuring production are very different in the two states, with Maharashtra having significant direct employment of bidi rollers along with a system of bidi cooperatives, while Karnataka resorted to contract and home-based bidi rolling. The minimum wage regulation was also very different in the two states. Wages for bidi rolling in Karnataka were around 20 percent higher than in Maharashtra. However, manufacturers could adjust production systems and sales prices to ensure comparable financial ratios, and high profitability levels. It was workers who failed to coordinate struggles to push for better minimum wages, and stringent regulation of wage.
Table 11: Comparison of financial ratios: Sable Waghire and Bharat Beedis

<table>
<thead>
<tr>
<th></th>
<th>Sable Waghire</th>
<th>Bharat Beedis</th>
<th>Sable Waghire</th>
<th>Bharat Beedis</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rs.crores)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from operations</td>
<td>329.03</td>
<td>407.59</td>
<td>342.03</td>
<td>404.56</td>
</tr>
<tr>
<td>Cost of material (incl. packing)</td>
<td>89.95</td>
<td>92.85</td>
<td>81.28</td>
<td>92.93</td>
</tr>
<tr>
<td>Employee cost</td>
<td>167.75</td>
<td>186.76</td>
<td>172.96</td>
<td>194.61</td>
</tr>
<tr>
<td>Ratio material cost to revenue</td>
<td>27%</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Ratio employee cost to revenue</td>
<td>51%</td>
<td>46%</td>
<td>51%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: Annual Reports from the MCA web site

Earnings of main company promoters

The Annual Reports of Bharat Beedi Works, Sable Waghire, Prabhudas Beedis and Pataka Biri gave details of the shareholding and income of promoters in the two companies.

In Bharat Beedi Works, the promoter families of the Pais between them owned 100% of the company shares. The six male members in the family were all on the Board of the company. For the year 2014-15 they gave themselves and commissions of between Rs.76.80 lakhs to 79.64 lakhs. The company also declared a dividend for the year of Rs.1.6 lakhs per share of par value of Rs.1000. The Board members therefore got dividend incomes for the year ranging from Rs.200 lakhs to Rs.399 lakhs. The highest paid Board member Nagendra Pai received a total for the year of Rs.478.66 lakhs as salary and commissions plus dividend for the year.

In Sable Waghire, the three principal promoters, individually and as family holdings, owned 56% of the company shares. As Board members each received salaries and commissions for the year 2014-15 of Rs.97 lakhs to Rs.98 lakhs. The company declared a dividend of Rs.56886 per share of par value Rs.100. The Board members with their families therefore received dividend income ranging from Rs.435 lakhs to Rs.468 lakhs. The highest paid Board member Dileep Sable received a total for the year of Rs.565.82 lakhs as salary and commissions plus dividend for the year.

In Prabhudas Beedis, the Patel family owned 100% of company shares between them. The eight key promoter family members on the company Management Team took remunerations plus interest ranging from Rs.1.07 crores to Rs.3.45 crores for the year 2014-15.

The three executive Directors of Pataka Biri company paid themselves Rs.10 crores, 4 crores and 2 crores respectively for the year 2010-11 as remunerations. In addition the first two directors also earned substantial dividends of Rs.7.98 crores and Rs.2.66 crores respectively. The dividend percentage on their share holdings was 100%.
Wages in the sector

There is significant and widespread violation of the Minimum Wages Act in the bidi industry across bidi manufacturing in the country. The violation is industry-wide, in the face of various court judgments that clearly state that non-payment of the statutory Minimum Wage is illegal. Manufacturers are clearly guilty of impunity in the face of law in not complying by the Minimum Wages Act.

Table 12: Comparison across states of wage components and social security

<table>
<thead>
<tr>
<th></th>
<th>Karnataka</th>
<th>Maharashtra</th>
<th>Madhya Pradesh</th>
<th>West Bengal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory Minimum wage (Rs./1000 bidis)</td>
<td>150.88</td>
<td>210.00</td>
<td>103.00</td>
<td>189.59</td>
</tr>
<tr>
<td>Wage regulation</td>
<td>As per Act</td>
<td>Contract</td>
<td>Contract</td>
<td>As per Act</td>
</tr>
<tr>
<td>Prevailing Minimum wage (Rs./1000 bidis)</td>
<td>150.88</td>
<td>140.00</td>
<td>60.00</td>
<td>126.00</td>
</tr>
<tr>
<td>VDA calculation</td>
<td>3 paise/CPI point</td>
<td>not applicable</td>
<td>not applicable</td>
<td>1 paisa/CPI point</td>
</tr>
<tr>
<td>PF coverage</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Bonus</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Access to Welfare Board</td>
<td>Health care, education</td>
<td>Health care, education</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

This is also a significant regulatory failure on the part of the Labour Department in the different states. The failure is at two levels. First, there is failure on the part of the states to properly implement the provisions of the Minimum Wages Act in fixing the appropriate wage. There are clear norms to followed, based on the guidelines set by the 15th Indian Labour Conference, and subsequently modified by the Indian judiciary in various judgments. The norms also require the Minimum Wage to be protected fully against inflation. The Act does not permit linking the Minimum Wage with any productivity criterion. The example of Madhya Pradesh shows how the Labour Department has been in violation of these norms while notifying the Minimum Wage.

The regulatory failure is also evident in Maharashtra and West Bengal. In both states, the industry in violation of the law forced unions to enter into agreements at wages substantially lower that the statutory Minimum Wage. The Labour Department in both states took no action against this gross violation of the law and their own notified Minimum Wage.
In the context, the impact of trade union struggle in Karnataka on wage administration in the sector is important to analyze. At one level the struggle might be seen to not have achieved much. The employers were able to get away with violation of the Minimum Wages Act for a decade. The legal fight of the AITUC, despite successfully holding on at the High Court and the Supreme Court finally ended with all unions being forced to negotiate and settle with employers. However, the long term result was that is forced the industry to revert to abiding by wage regulation under the Minimum Wages Act.

The role of trade unions in being able to push regulation is evident. Table 12 compares the regulation of wage and social security in the four states in the study. We see the prevailing Minimum Wage is higher in Karnataka and Maharashtra. The compliance on PF coverage, bonus and access to Welfare Board benefits is also better in the states. We would see some role of trade union activity in this. In Madhya Pradesh, where wages are significantly lower than in the other states, and there is very poor compliance with other benefits, both AITUC and CITU had failed to organize the bidi workers. While SEWA claimed membership, it was also clear that it worked with the membership primarily to help them access government benefits under the NREGA and other government welfare department schemes. From the discussions it was evident that SEWA did not see the role of bargaining for rights of its members within the bidi industry as being significant, particularly as it viewed the bidi industry as a sunset industry. We would also add that Madhya Pradesh does not have significant militant trade union presence in the state.

The situation in West Bengal would merit some discussion. The state has a tradition of strong trade unions in the informal sector. Both CITU and AICCTU are active in organizing bidi workers. Despite this, the Minimum Wage Act is violated with impunity. Compliance on bonus and on access to the Welfare Board benefits was observed to be poor. We might see two reasons for this. First, Malda and Murshidabad are poor states, where alternative rural livelihood options are few. Second, the districts share their borders with Bangladesh, and bidi rolling is also a large employer in Bangladesh. This raises the question of whether cross-border movement of workers and bidis could serve to depress wages in the districts. This issue merits further study. This would also be important from the perspective of trying to enforce better employment regulation in the region for bidi workers.

**Norm for bidi rolling**

The norm for bidi rolling is presently taken as 1000 bidis. The statutory Minimum Wage is linked to this production figure. However, this is not based on any rational measurement of effort and time taken. The women interviewed gave wide range of daily production ranging from 600 bidis per day to 1500 bidis. However, this was not accompanied by a clear enumeration of the time spent. It was also not possible to clearly determine if any other family member’s labour was also included in rolling the bidis. In the context of the difficulty of enumerating a standard productivity rate for home-based work, there is no way of determining if 1000 bidis represents a fair production norm for 8 hours work. Thus there is no way of determining if 1000 bidis represents a fair production norm for 8 hours work. This issue should be taken up by trade unions if they also take up the issue of determining and enforcing the statutory Minimum Wage. This is necessary if the work has to be regulated, particularly in the context of the reported incidence of child labour in bidi rolling.
The threat of production shift

The bidi industry holds out the threat closure and shifting production in the face of any demand for fair wages. This is the same threat that is held in the case of other supply chains like the global garment supply industry. However, as also in the case of garments, there is a strong case to be made for segmentation of markets and production in the bidi industry, which runs counter to the argument of free movement of capital in the face of rising labour costs. There are several factors to this.

The price difference for bidi across states is one factor that points to the market being segmented. We have discussed in the section on ‘Segmented bidi markets’ how the market would appear to be divided based on both consumer tastes and price sensitivity. If these market differences are strong, it would not be easy for brands to enter new state markets. They will have to develop markets and retain market shares. The large companies may prefer to increase shares in their existing bidi markets rather than moving into new markets. This hypothesis merits a deeper analysis.

The comparison of financial ratios between Sable Waghire and Bharat Beedi Works indicates that companies in different states have similar operating parameters. There is not much difference in margins despite differences in wages between Maharashtra and Karnataka. The wage difference across the states gets compensated by the difference in VAT rates. Table 7 shows the narrow variation between Madhya Pradesh, Karnataka and Maharashtra on the figure for VAT+labour cost per bidi. The variation is within a 20 percent band. There would not in the circumstance be much incentive to transfer manufacturing out of one state and into another.

There is evidence of different manufacturing systems in different states, with substantial management investment of time and effort in building these traditionally established and proven systems. In Maharashtra, the system of production included cooperatives, which were based on the old tradition of sugar cooperatives tightly controlled by a few promoters, prevalent in the region. In Karnataka, both Mangalore Ganesh Beedi and Bharat Beedi Works primarily manufactured beedis from old, established arrangements, where they had tight control over finances and ownership. In both cases, new forays into production, in West Bengal for Mangalore Ganesh Beedi, and Tamil Nadu for Bharat Beedi, were failures because of bad quality and cheating. The rigidity of these subcontracting arrangements is brought out by the fact that most workers for these companies said that they had worked for the same brand through the same contractor for many years. What this brings out is that the stability of old and established production lines is important for these large companies. In the context of spurious use of brand names and cheating on use of tobacco and tendu leaf affecting quality, established manufacturers would require a firm control over their production lines. The threat of shifting production is not as easily done as manufacturers hold out to be. Outsourcing comes with its own requirements of tight production control and management of quality and output efficiency. In industries dependent on loose regulation and large numbers of workers in dispersed manufacturing sites (the home is the primary manufacturing site in most cases), the overall management control has to be based on close monitoring and hands on daily management.
We have seen how the differential VAT rates act as counter to the impact of wage on manufacturing costs in different states. It would be interesting if the implementation of the General Sales Tax (GST) would lead to equalization of sales tax across states, and therefore impact manufacturing cost within the bidi industry. It would be interesting to evaluate the impact on wages in the bidi sector across different states. Would states find other ways to subsidize the bidi manufacturers?

**Profit in the industry**

The bidi industry justifies wages being kept low because of the sector not being profitable. This is clearly not borne out from the financial statements of Bharat Beedi Works, Mangalore Ganesh Beedi, Sable Waghire, Shyam Bidi, Prabhudas Beedi and Pataka Bidi. The companies are all profitable, with closely held ownership, and substantial financial returns to the main promoters. At current wages and bidi prices a 5% increase in bidi price can allow a 20% wage increase. That is, a rupee increase in the retail price for a pack of bidi is more than enough to raise wages by 20% in the sector. Surely the market can absorb this level of price increase.

The counter argument of the industry is that this is a poor man’s market, and the poor cannot afford to pay high prices. If bidi smoking reduces substantially with a rupee increase in the price of a pack, that would call to question the strength of tobacco addiction. All evidences point to low price elasticity of demand.

We see how within the industry, market preferences allow price ratio of more than 2 between the cheapest and the most expensive bidi. This is not typical for wage goods. Further, the argument of keeping low the price of bidi touted as a poor man’s good cannot be at the cost of low wages for lakhs of poor women employed in the sector.

**The Contract Labour Act**

The other significant legal provision that the bidi industry is in violation of is the Contract Labour Act. The various forms of contractual employment, and even employment through cooperatives, could be seen as sham contracts, given that bidi rolling is a core and necessary function, and is an activity of perennial nature. While it may not be possible to remove the entrenched contract system from such a large industry, there should at least be attempts to regulate the system. Contractors should be required to register with the Labour Department, and also ensure that all workers employed with them are clearly linked to their principal employers.

**Understanding the contract system – primitive surplus generation**

Many forms of taxing the worker are institutionalized. These include the standard practice of bundles transferred to the contractor without being accounted for wage, what is lucidly described in Madhya Pradesh as ‘free fund’. The contractors also cheat workers on their PF, by maintaining accounts on proxy names they control. This system can only be challenged once the contract system itself is regulated.

The use of contract labour in the industry highlights an important issue of outsourcing. The contract system in effect allows the manufacturer to outsource the responsibility for control of production and
Table 3: Contribution from workers towards cost of contracting system

<table>
<thead>
<tr>
<th>Amount per 1000 bidis</th>
<th>Karnataka</th>
<th>Maharashtra</th>
<th>Madhya Pradesh</th>
<th>West Bengal</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rs.)</td>
<td>(Rs.)</td>
<td>(Rs.)</td>
<td>(Rs.)</td>
<td>(Rs.)</td>
</tr>
<tr>
<td>Commission to contractor</td>
<td>11.00</td>
<td>0 for factory prodn.</td>
<td>1.60</td>
<td>5.40</td>
</tr>
<tr>
<td>Cash payment collected</td>
<td>7.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Collection of &quot;free fund&quot; bidis</td>
<td>50 bidis</td>
<td>nil</td>
<td>50 bidis</td>
<td>50 bidis</td>
</tr>
<tr>
<td>Wage equivalent of bids collected</td>
<td>7.80</td>
<td>0.00</td>
<td>3.25</td>
<td>6.30</td>
</tr>
<tr>
<td>Other costs borne by worker</td>
<td>0.00</td>
<td>0.00</td>
<td>5.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total cost borne by worker</td>
<td>14.80</td>
<td>0.00</td>
<td>8.25</td>
<td>6.30</td>
</tr>
<tr>
<td>Contribution of worker to cost of maintaining the contract system</td>
<td>57%</td>
<td>not applicable</td>
<td>84%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Note: i. Calculations for Karnataka are based on figures from Bangalore; ii. Calculations for Madhya Pradesh are based on figures for Pipariya Ramnath village; there is no forced contribution by workers in the case of factory production in Maharashtra.

supervision of labour. The contract amount is kept so low that the contractor can only make profits by taxing the production of the worker. In effect what this means is that the cost of maintaining and monitoring the supply chain is transferred to the workers. We contrast here two extremes in the system. One is the factories where workers roll bidis in Maharashtra. The workers in the factory said there was no system of “free fund”, and even the rejection rate was minimal. In the other states workers not only had to contribute as a norm the 2-4 bundles of bidis as the share on contractors in their wage, but also had in Karnataka to agree to the contractor retaining a share of their wage as his own. In addition, there was substantial rejection of the bidis, where workers had no knowledge of determining what was done with the rejects. In the case of Shyam Bidis in their factory in West Bengal, the system was developed so that brand of “inferior” bidis could be spun out of the rejects, where the labour cost was effectively zero.

In Madhya Pradesh the bidi worker had to spend her own money to collect the raw material and deliver the finished bidis. She was in effect subsiding even the logistics cost of the bidi manufacturer. In addition, she had to buy the thread to tie the bidis from her own money. This is a case of primitive surplus generation. The only possible solution is a more regulated production system. This will drive up costs, and hence price of bidis. But the industry will have to bear this increase in cost if there has to be fair regulation within the system. We go back to our argument that women in the bidi sector cannot be exploited for the industry to be able to give men cheap bidis.

Table 3 above gives calculations based on the operation of the contract system in Karnataka (Bangalore), Madhya Pradesh (Pipariya Ramnath village), and West Bengal (Malda). We see the worker contributes from her meagre earnings an estimated 57 percent of the total cost of maintaining the contract system in Karnataka; 54 percent in West Bengal; and 84 percent in Madhya Pradesh. This is in contrast with factory based bidi rolling in Maharashtra where the worker does not have to contribute to maintaining the cost of the production system.
**Unfair practices within contract employment**

The contract system in effect allows the manufacturer to outsource the responsibility for control of production and supervision of labour. The contract amount is kept so low that the contractor can only make profits by taxing the production of the worker. Many forms of taxing the worker are institutionalized. These include the standard practice of bundles transferred to the contractor without being accounted for wage, what is lucidly described in Madhya Pradesh as ‘free fund’. The contractors also cheat workers on their PF, by maintaining accounts on proxy names they control. This system can only be challenged once the contract system itself is regulated.

**Unregulated bidi manufacturing**

The manufacture of bidis in the small scale, with turnover of less than 20 lakh bidi sticks per annum is allowed in the unregulated sector. That is, these enterprises are exempt from payment of taxes and other legal regulations. The large manufacturers hold these enterprises as responsible for lack of regulation in the industry, forcing them into unfair competition with unregulated production. There is no justification for allowing this unregulated sector. They allow the further weakening of regulation in a sector that already has weak regulation. Many large manufacturers also benefit from the unregulated sector by outsourcing production to them. The supply chain is so loose and dispersed that the regulated sector can easily use systems of sub-contracting that already exist for bidi production to also escape the regulatory net. For instance, in the case of Shyam Beedi (SBW Udyog), the Annual Report for 2009-10 in its Profit and Loss statement showed ‘Raw Material consumed’ as Rs.44 crores, while ‘Purchases made for resale’ was shown as Rs.15 crores. That is, around a quarter of the sales of the company was from bidis purchased from outside. These purchases would very likely have been from the unregulated sector. This arrangement would allow the large manufacturers to insulate themselves from the threat of work stoppage within their own production networks.

The permission of bidi manufacture in the unregulated, small scale sector also hinders workers ability to demand better wages and rights. In the context of the industry catering to women workers who are constrained by social restrictions and economic pressures to seek employment that can be carried on outside factory restrictions, allowing further relaxation of regulation will only serve to weaken their economic bargaining power. This is further exacerbated in a situation where rural employment opportunities are reducing, and there is a labour surplus in rural areas.

We could compare employment in the sector with the ‘zero hour’ contracts that are becoming in developed countries in the wake of economic slowdown. The industry has no responsibility to guarantee work to the employees. Both the Karnataka Minimum Wage agreement of 2006 and the Madhya Pradesh Minimum Wage notification of December 2014 contain clauses that make employers liable to pay wages when they are not able to provide raw material to the bidi rollers. However, this clause is not enforceable in practice. Thus, even within the regulated sector it is difficult to enforce management obligations. With the unregulated sector the situation will only worsen in this respect.

**Welfare boards**

In the absence of other social security provisions, the Welfare Board within the bidi industry can have a significant influence on the welfare on workers in the sector. However, there is wide variation in the
way Welfare Boards function across the country. The Welfare Boards are financially viable, funded by the central cess on bidi sales. The best practices, for instance of the scholarship schemes that workers from Mangalore repeatedly claimed as having helped their families to move on in life, can have a big influence on the lives of workers. However, the Mangalore experience was the result of a strong trade union presence in the bidi sector in the region. The main factor for regulatory oversight given the lack of will or resources with the Government is the collective strength of workers. This is however difficult in the sector given the extreme poverty and vulnerability of the home based bidi rollers.

**Responsibility for work stoppage**

There is another context in which the industry seeks to escape responsibility as defined by the ID Act. The industry went on a 28 day long production stoppage in the year 2015, protesting against the government order requiring pack warnings. Mr. Umesh S. Parekh, Chief Executive and Company Secretary, Desai Brothers Limited who also looks after the All India Bidi Industry Federation in a discussion on pack warnings said they had to back off from the work stoppage as “Our own poor workers were dying. We had to back out because of these reasons. We negotiated with the government and they have assured to pay Rs.1000 to the workers for the 28 days of wage loss.” The 28 day work stoppage would count as illegal lock-out and therefore under the ID Act the companies would be mandated to pay wages to all workers. It is interesting that the industry has sought to get the government to pay the costs of what by law is its liability. It has no compunction to use the workers as the excuse to not comply by the norms for pack warning, while at the same time being unwilling to pay the legitimate dues of the same ‘poor workers’. In this case the legitimate dues of the ‘poor workers’ would be the wage for 28 days, which the law requires the employer to pay, in situations where the workers are not provided with the raw material. The minimum wage in Maharashtra for 28 days works out to nearly Rs.4000. The Industry Federation is not only socialising its legal obligations towards payment to workers, but also undercutting them in the process.