BIDI INDUSTRY IN INDIA: OUTPUT, EMPLOYMENT AND WAGES
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Highlights

Key Messages

- Almost the entire bidi manufacturing industry (99.9%) is in the unregistered sector, resulting in 89% of the employment in bidi manufacturing also being in the unregistered sector.
- The bidi industry in India contributes only 0.65% of the gross value added (GVA) by the entire manufacturing industry and its contribution to the national economy is insignificant.
- Over the years, the registered bidi industry has witnessed a progressive increase in the profit-GVA ratio, while the wages of registered bidi workers have been on a decline.
- The average annual wage earned by a registered bidi worker is only 17% of the annual wages of workers in other manufacturing sectors.
- To protect these vulnerable bidi rollers and their families from exploitative practices and occupational health hazards, skill building programmes for transitioning to viable alternative livelihoods and amendments to various welfare schemes/acts for the bidi workers are necessary.
- The study recommends registration of all bidi manufacturing units which will facilitate in formalization of the sector and will be a key step towards the protection of the health and rights of bidi workers and their children. Formalization will also enable better administration of welfare and tax measures.

INTRODUCTION

Tobacco use is a major contributor to the growing burden of noncommunicable diseases (NCDs), and was responsible for 40 million global deaths (1) and 62% of the deaths in India (2) in 2015. Bidis are the most popular form of smoked tobacco in India and are smoked by 8% of adult Indians (3), especially the rural poor (due to its low price) and commands a market share of 85% (4). Bidi is a form of indigenous smoking tobacco product, made by rolling tobacco in tendu leaves and securing the rolled product with a thread (2).

The harmful effects of bidi smoking are well evidenced. A study conducted in India, Bangladesh and Pakistan has shown that the risk of severe respiratory impairment, all-cause mortality and adverse cardiorespiratory outcomes was significantly higher among bidi smokers as compared to cigarette smokers (5). In spite of their hazardous health consequences, bidis have been severely under-taxed compared to cigarettes in India (6). The bidi industry in India is highly unregulated and highly labour intensive (4). Due to the extremely demanding nature of work and unhealthy working conditions, bidi workers are prone to respiratory illnesses, bone problems, finger numbness (7) and skin and nail diseases (8). An earlier study conducted with bidi-rollers in Andhra Pradesh has highlighted that despite their low income, exploitation and adverse impact on health, bidi-rollers continue in this industry, due to a lack of suitable and sustainable alternative means of livelihood (9).

Measures for regulation of the bidi industry in India have been impeded due to the industry claims that the sector makes a significant contribution to national economy and employment. In this study, secondary analyses of existing Government data sources were conducted to study: (i) the economic contribution of bidi manufacturing to the Indian economy; (ii) the conditions of bidi workers in terms of employment and related factors; and (iii) the shift in bidi manufacturing between the registered and unregistered manufacturing sectors and between units of different employment sizes.
DATA AND METHODS

This analysis is based on data from the National Sample Survey Office (NSSO) and the Central Statistics Office (CSO), under the Ministry of Statistics and Programme Implementation (MoSPI), Government of India. Specifically, we used the following data sources: Annual Survey of Industries (ASI) (2000–01 to 2011–12); Enterprises Survey (2000–01, 2005–06 and 2010–11); and NSSO Employment and Unemployment Survey (2011–12).

While the ASI was the primary and representative data source for the entire registered manufacturing sector in India, the Enterprises Survey conducted by NSSO was the primary data source for the unregistered or unincorporated enterprises, which were not covered under the ASI. Details of the working conditions in bidi manufacturing were explored using data from the Employment and Unemployment Survey for the Sixty-eighth NSS round conducted in 2011–2012.

The indicators that were studied included: the value of output – gross value added (GVA)*; profit margin; share of profit in total output; share of wages and compensation to workers in total output, nature and type of employment. Trends in these indicators across the years 2000–2001, 2005–2006 and 2010–2011 were studied and comparisons were drawn between the registered and unregistered sectors.

KEY FINDINGS OF THE STUDY

- With a total of 3.32 million bidi workers employed (7.04% of the entire manufacturing industry) in India, the share of GVA by the bidi manufacturing industry is only 0.65% of the total GVA by the entire manufacturing industry (Fig. 1) as per 2010–2011 estimates.

- Majority of bidi manufacturing units (99.9%) are in the unregistered or informal sector. As a result, 89% of the bidi manufacturing employment is also in the unregistered sector.

- Even in the registered sector, the majority (70%) of the employees are employed through a contractor (Fig. 2). Therefore, a large part of the bidi workforce remains devoid of any employment benefits or social protection, and their rights and entitlements are thus not protected.

Figure 1: Relative size of the bidi manufacturing industry compared to the entire manufacturing industry 2010–2011

*Gross value added (GVA) is a measure of value of goods and/or services produced by any industry or sector of an economy.
Figure 2: Composition of employment in registered bidi manufacturing sector

- The GVA from the unregistered bidi industry has declined over the years from 2000–2001 to 2010–2011, while it has increased over the same period from the registered bidi industries, indicating higher productivity in the registered bidi sector.

- The registered bidi industry is also shifting towards small manufacturing units employing 0–10 and 11–20 workers. However, an examination of GVA by size of units reveals that these small-sized units do not contribute significantly to the economy. The highest GVA and profit contributions are made by units that employ 51–100 workers per unit.

- The profit accrued by the registered bidi manufacturing sector in 2005–2006 was INR 1.73 billion, which increased steeply to INR 12.81 billion in 2010–2011. The profit–GVA ratio also increased from 17.1% in 2005–2006 to 58.9% in 2010–2011 (Fig. 3).

- However, the wages of bidi workers declined between 2000–2001 and 2010–2011. The average annual wage of a person engaged in registered bidi manufacturing in 2010–2011 was only 17% of the average annual wage of persons engaged in other manufacturing sectors. Contractual workers were paid the least wages. Managerial workers were paid higher in comparison to those directly employed. While wages of directly employed and contractual workers have been declining over the years, wages of managers and supervisory staff have been increasing (Fig. 4).

- The bidi industry employs more than twice the number of women as compared to men (83% women workers in the unregistered sector). However, women earn much lower wages as compared to men. In 2010–2011, male workers earned on an average INR 6610.7 (30%) more annually than female workers.
KEY RECOMMENDATIONS

Formalize the bidi industry by registration of all manufacturing units for better administration of welfare measures for bidi rollers

As a majority of bidi manufacturing units are in the unregistered sector, efforts should be made to ensure registration, regulation and tracking of all bidi manufacturing units by the Government. This would lead to the formalization of the bidi manufacturing industry and facilitate adequate implementation of and coverage under welfare schemes for bidi workers, reduce exploitation of bidi rollers and ensure proper monitoring by the Ministry of Labour and Employment. This would also assist the Ministry of Finance in better administration of taxes in these units.

Amend the Bidi and Cigar Workers (Conditions of Employment) Act

Even though small-sized units are the most prevalent in the registered sector, they do not provide ample employment, or generate significant economic value to the bidi
manufacturing industry. Section 4.2 of the Beedi and Cigar Workers (Conditions of Employment) Act, 1966 may be amended to prohibit small-sized bidi manufacturing units (less than 20 bidi workers).

**Prohibit bidi rolling in home settings to protect women and children from exposure to tobacco**

More women are engaged in bidi rolling than men, and that too in their homes. From a maternal and child health perspective, their health and safety needs to be ensured by protecting them and their families from the hazards of tobacco exposure. This also indicates the need to amend Section 9.2 of the Beedi and Cigar Workers (Conditions of Employment) Act, 1966 and remove the allowance for home-based workers engaged by the bidi industry. There is also a need to amend the First Schedule [Section 2 (cb)] of the Factories (Amendment) Act, 1987 so as to include bidi manufacturing as a hazardous process, considering its adverse effect on the health of bidi workers and their children, who are exposed to tobacco dust.

**Support alternative economically viable livelihood opportunities for bidi rollers**

Rehabilitation of bidi workers by building/enhancing the capacity for alternative livelihood is essential to complement efforts. There are a large number of workers employed by the bidi industry, and preventing their continued exploitation is of utmost importance. While the Ministry of Labour and Employment has initiated skill building pilots for bidi rollers, there is a need to establish a national programme that focuses on formulating policies that aim to relocate the workers employed in the bidi industry to alternative sectors, which provide better job quality with higher wages, along with social security and employment benefits. The Government may also consider providing alternative employment opportunities to bidi workers and provide them with new skills under the Skill India Initiative of the Ministry of Skill Development and Entrepreneurship that are economically more remunerative and without the associated health risks.

**Phase out fiscal benefits and exemptions given to the bidi industry**

In view of the product's insignificant contribution to GVA and employment vis-à-vis the huge cost to the health of workers and users, the Government may re-visit its fiscal and related policies towards the bidi industry. Further, the taxation on bids under GST may be increased by levying a cess over and above 28%, as in the case of cigarettes and other tobacco products. This will avoid product substitution and protect the consumers who are mostly the rural poor with lower access to health services.

**Review and reconsider the INR 2 million exemption under GST for the bidi Industry**

The taxation of bidi under GST needs to be judiciously reviewed. The tax exemption given to manufacturers of less than INR 2 million turnover annually in the GST regime should be reconsidered for the bidi sector. In the past, taking advantage of a similar exemption, bidi manufacturers closed bigger units and carried on production on a smaller scale under different names, resulting in tax evasion and shifting of the production base to smaller units and homes of the poor and disadvantaged.
REFERENCES


