



## Research Article

### AN INSIGHT OF WORKERS ACROSS INDIA & DEMONETIZATION

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#### ABSTRACT

08<sup>th</sup> November, 2016 a date to remember for the world in two major historic events One in the Super Power America: Donald Trump elected as the President of the United States and second in India shocking and economy turning announcement of Demonetization of currency notes was declared by the Modi led Government of India. At the stroke of midnight all 500 and 1,000 rupee notes which attained approximately 86% of the currency in circulation ceased to become legal tender. It was an attempt or a "shock doctrine" tactic to dismantle the cash-centric black market, to make India digital savvy, and an attempt to bring maximum Indians in the formal taxable economic grid. This situation worsened plights of around 90% vendors who did not have any means other than accepting cash as well as 86% of the workers paid in cash and did not possess any bank accounts in spite of the Government's attempt to open Jan Dhan Accounts. Suddenly India's economy came to a halt. It affected all the sections of the society:

- Businesses shut down
- Inability of the farmers to buy seeds
- Employers had no way to pay their employees
- No medical facilities for patients with old currency
- Fishermen couldn't sell their catch
- Daily wage earners affected majorly
- Hawkers/small vendors could not sell anything

This article is an attempt to capture the plight of the workers across the country due to the surgical strike of the Government.

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## INTRODUCTION

This research paper is prepared by examining related literature on demonetization and its effect on workers. I have also incorporated views of experts and common man related to this issue. Research paper relies on secondary data and provides only descriptive information and no statistical tools are used.

## METHODOLOGY

This paper is a literature, opinion leader oriented attempted to bring forth the plight of the workers from different sections of the society across India. It relies on secondary database which is collected through news articles and reports. Thus it provides only descriptive information and no statistical tools are used.

**Understanding Demonetization:** According to Investopedia, Demonetization is the act of stripping a currency unit of its status as legal tender. It is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit.

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**Cambridge Dictionary** defines it as "to officially stop using particular notes or coins, or a particular currency."

**Overview on worker's effect:** The effect of demonetization is evident all over the Indian economy. The workers are losing jobs in unorganized sectors, it is unclear who will be compensating their lost mandays. There were evidences which stated that the employer are forcing the workers to accept salary of October month in old currency, which was acceptable but after investigation it was also evident that they were being forced to accept November month salary too in old demonetized notes to which the workers agitated. However, this article tries to cover the effect on almost all types of workers in India. Excerpts have been taken from news articles, expert opinions and observations.

The effect can be highlighted as under:

**Effect of Demonetization on Daily wage workers:** The construction site workers face massive jolt due to non-availability of new currency notes. They were offered Rs. 500/- to work instead of Rs. 700/- as the construction site owners are unable to dispense Rs. 100/- note.

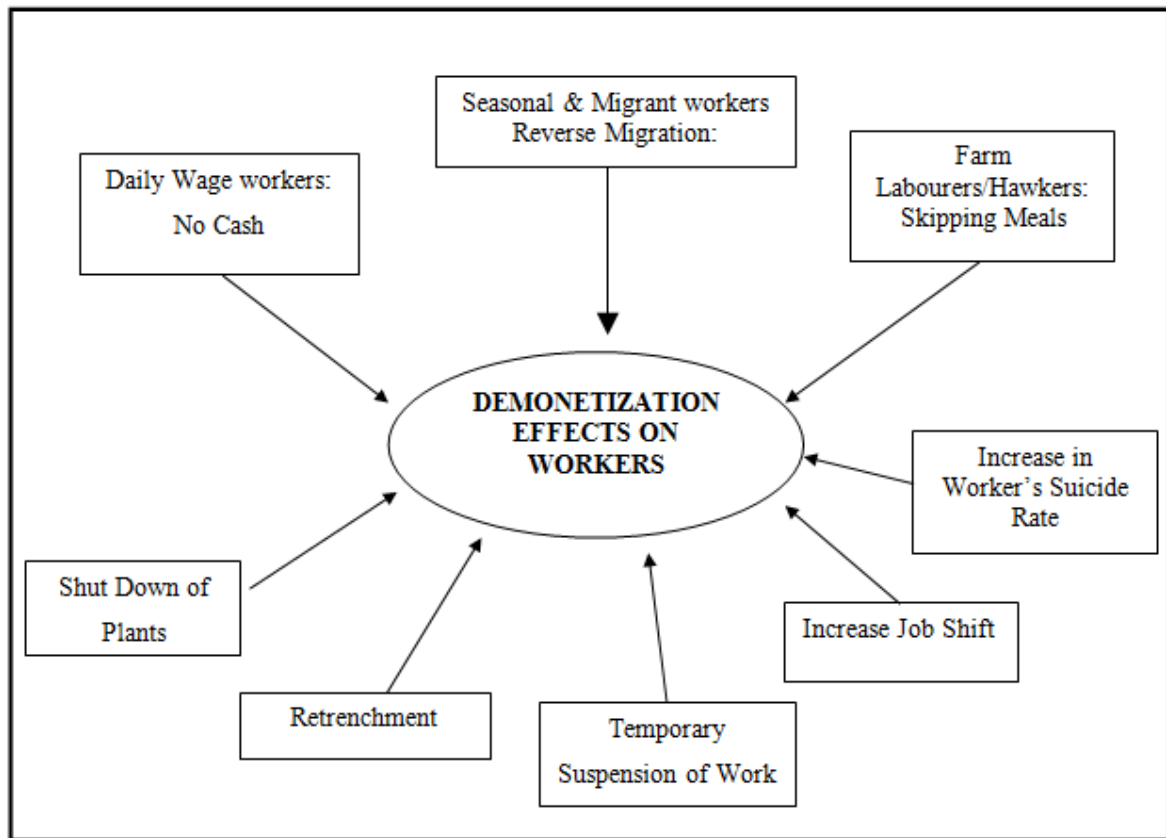


Diagram 1. Effect of Demonetization on Workers

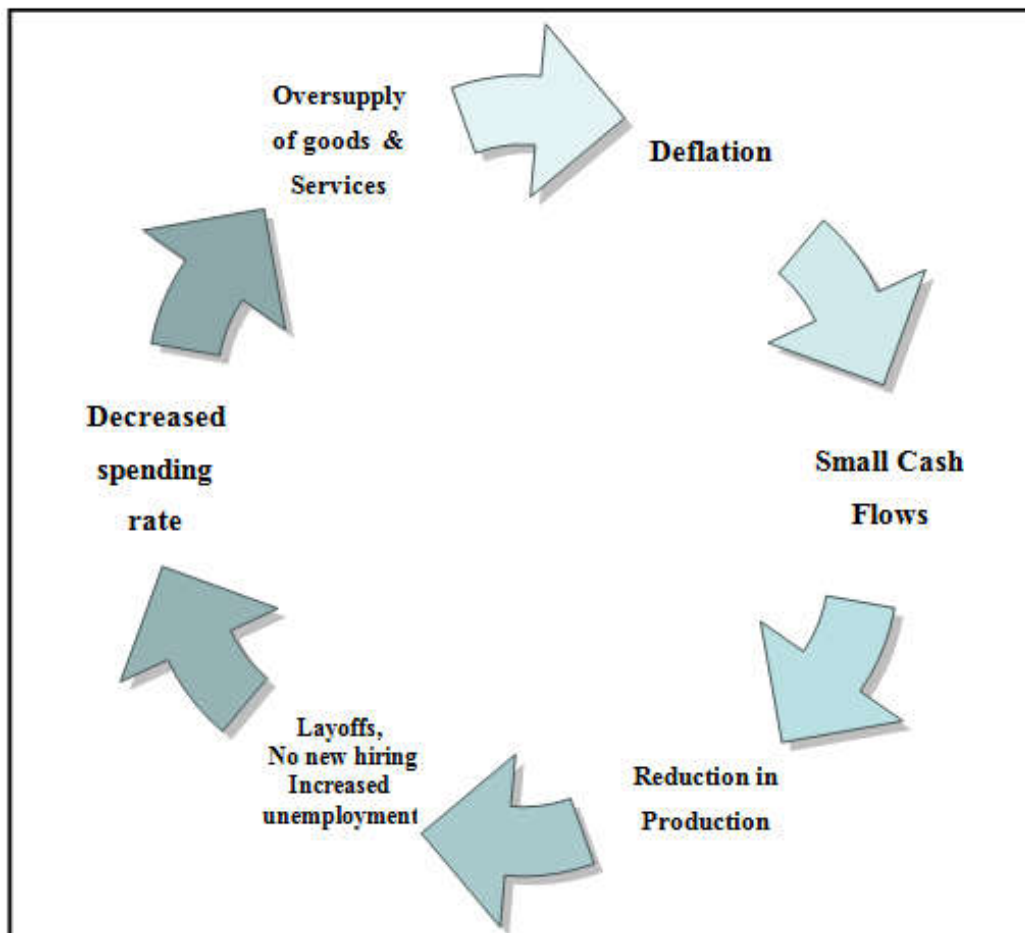


Diagram 2. Effect of Demonetization on Employment

They have been adversely affected as they have become jobless. Gurgaon is a hub of real estate industry wherein there are around 40,000 to 50,000 migrant or seasonal workers from Rajasthan, Madhya Pradesh, Uttar Pradesh and Bihar who arrive in August and continue to stay till December and also stay back till March before their native village agricultural operations resumes. After demonetization, the labour department saw an incredible decline in the number of labourers to 10,000 to 12,000 who have already left Gurgaon.

The farm labourers also face the same situation of an uncertain future. They are skipping meals to survive, or pulling out their children from schools which is shaking the very base of Indian society. They are also relying on the free meals offered by the Temples, Gurudwaras as bhandhara, langaars etc. Even the impact is also seen on the scrap material dealers who are also facing similar problems. The Kamgar Association also reported a miserable plight of their workers. The brick kiln workers in Jhajjar are also unable to subsist due to non existence of liquid cash.

### **Workers of Ludhiana Knitwear Industry**

The knitwear industry in Ludhiana contributes 80% of the total woolen/acrylic output of the economy and generates employment for over 400,000 people in the city. Due to demonetization a severe blow was given to small time traders and shopkeepers, whose 90% trade is done in cash. The Ludhiana hosiery industry is considered to be mother of all industries as it comprises of 12,000 units. The sudden ban of notes has affected this industry largely with more than 70% of shut down of industries. Reverse migration was also reported. Demonetization has affected businesses a lot and only 5% of work has survived. The city has a large number of small industries - both registered and unregistered - which deal with readymade garments, textiles and winter hosiery products. They export both locally and globally.

### **Night Shift Workers**

The negative impact of demonetization which led to cash crunch and year end slowdown has impacted over 2000 automobile workers which also would impact 800 contractual workers to lose their jobs. The drive has forced in reduced bookings and all the back logs have been overcome. To quote an incidence of Renault-Nissan Automotive India (Pvt) Ltd, there was an increase in the demand of Kwid brand of cars, due to which the workers had to work for night shift from 12 a.m. to 7:00 a.m. to meet the market demand. After the announcement of 08<sup>th</sup> November 2016, with falling market orders it was decided to wind down production of Kwid and shut the line entirely. It was further observed that the permanent workers have been temporarily moved to other lines producing 'Go plus' and 'Mirca' brands, but unfortunately the contract workers have been retrenched.

### **Salaried Employees**

Despite negative effects on the daily wage earners, weaker sections of the society and small traders, the salaried employees have a respite due to the surgical strike. It is expected to get surge in the tax collection which would further raise tax exemption limit to Rs. 4-5 lakhs from the existing 2.5 lakhs. The Purchasing Power of the salaried employees will get

a lift due to illegal wealth going out of the system which would further bring down inflation. The affordability index would increase with the lowering of prices of essential food items. The second advantage for the salaried employees would be with regard to increase in home ownership. Due to cleaning up of black money, the prices of the land are expected to fall down which would further slash down the property rates and would make it affordable for the salaried employees.

### **Effect on Jute Workers**

Another effect has been reported on the Howrah Jute Mill Workers due to demonetization of high currency denomination bank notes by the Government of India and limitation on withdrawal from bank accounts, there is a shortage of cash thereby affecting the raw jute trade, in several mills because of which the raw jute stock is almost exhausted and has put a halt to the production. Only 10-12% of farmers accept payment for raw jute through bank accounts which has caused labour unrest, unlawful violence activities. It has also led to temporary suspension of work for the jute workers.

### **Effect on Assam Tea Workers**

The tea industry also witnessed a crisis situation with regard to making payment of wages to its workers due to lack of cash which was precipitated by demonetization drive. This state has been deeply hit by a lot of hardships due to non availability of cash, lack of internet facilities & basic banking infrastructure in tea estate areas. There were reports of tea workers committing suicide due to non-availability of liquid cash and burdened with debt. However the Assam government has been working to improve the situation of shifting to digital economy.

### **Adverse effect on Workers of Jewellery Industry**

To quote the Chairman of the All India Gems and Jewellery Trade Federation, Mr. G.V. Sreedhar, "Business is paralysed following demonetization drive. The sector is gripped by job cuts". India's jewelry industry is estimated at Rs 4,15,000 crore which also employs approximately 2.5 to 3 million workers. Despite this being the wedding season, this industry has witnessed 80% downfall in business due to cancellation of Rs. 500 & Rs. 1000 notes. This industry was also deeply affected by the global economic crisis in 2008 due to which it lost around 15-20% of its skilled and unskilled workers due to their job shift to agriculture and other allied sectors. Not only demonetization but also another jolt was received by this industry after the announcement of lowered limit for quoting permanent account numbers during jewelry purchases to Rs 2,00,000 only. They have lowered down variable pays to the workers instead of adopting retrenchment in a hope for revival of the industry after the changes in income tax and rules of cash transactions come to light during Budget 2017. Another problem was that the sellers were also not able to monetize their gold because the jewelers were paying in cheques which cannot be cashed due to the weekly withdrawal limits as imposed by the Government.

### **Effect on ceramic Industry workers**

The illiterate labourer from UP & Bihar does not possess bank accounts or they do not know how to operate the accounts properly, and as they always received salary in cash they are

facing a challenge of survival of fittest. As the companies are facing the problem of no cash they are unable to pay its employees. Thereby nearly 1 lac 50 thousand workers of Morbi cluster and approx 3 lac workers of Thangadh & Himmatnagar are facing the pinch of demonetization drive.

### DEMONITIZATION & UNEMPLOYMENT

According to a research the surgical strike would greatly affect the Industry and would lead to deflation<sup>1</sup> which would further give rise to unemployment.

### Conclusion

India is transforming from demonetization drive to become corruption free and cashless society. The cashless economy would enable the employer to pay wages & salaries through electronic means and would be forced to pay Minimum wages to all. However still there may be increase in unemployment as the economic value added for the job roles that are employed at lower minimum wage would not justify minimum wage and will lead employers retrench people without automation which will thus increase unemployment in the weakest sections of society.

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### Notes

[https://rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=38520](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=38520);

[http://www.nytimes.com/aponline/2016/11/18/world/asia/ap-as-india-currency-chaos.html?\\_r=0](http://www.nytimes.com/aponline/2016/11/18/world/asia/ap-as-india-currency-chaos.html?_r=0)

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<http://timesofindia.indiatimes.com/city/jaipur/Construction-workers-to-rally-against-unplanned-demonetization/articleshow/55400660.cms>

<sup>1</sup> It is an antonym of Inflation. It is caused when the overall price level decreases so that inflation rate becomes negative it is caused when there is shortage of money supply or credit availability.