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**Cornell-SEWA-WIEGO**  
**2008 Dialogue - Ahmedabad and Delhi**  
**Compendium of Personal and Technical Notes**

**Namrata Bali, Kaushik Basu, Haroon Borhat, Françoise Carré,  
Martha Chen, Gary Fields, Renana Jhabvala, Ravi Kanbur,  
Francie Lund, Jeemol Unni, Imraan Valodia**

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## Preface

The Cornell-SEWA-WIEGO Dialogue Group was started in 2003, to advance discussions between economists, social scientists and ground level activists working on issues of labor, gender and poverty.<sup>1</sup> In the last five years the group has met five times: at the SEWA Academy in Ahmedabad in January, 2004; at Harvard University in October, 2004; at Cornell University in November, 2006; in Durban in March, 2007; and in Ahmedabad and Delhi in March, 2008.

The objective has been to build a community of conversation to help understand, and to build a bridge between, different analytical and policy perspectives on labor and poverty. Throughout, the group has tried to ground its discussions in the realities of the lives of poor women. The experience of SEWA organizers who are part of the group is a constant spur to keep our discussions focused on the everyday realities of SEWA's members. But the group has gone further. The Ahmedabad dialogue in 2004 was preceded by an Exposure and Dialogue Program (EDP) in which group members spent several nights in the homes of SEWA members—our “host ladies.” These experiences were written up in “Reality and Analysis: Personal and Technical Reflections on the Working Lives of Six Women” (<http://www.arts.cornell.edu/poverty/kanbur/EDPCompendium.pdf>). In Durban in 2007, we similarly experienced the lives of women working in the informal sector, and these experiences were written up, in the form of personal and technical notes, in “The Informal Economy in South Africa: Issues, Debates and Policies” (<http://sds.ukzn.ac.za/files/RR75.pdf>).

In March of 2008 the group returned to Ahmedabad, to meet again the host ladies after a gap of four years, to see how their lives had changed, and to renew the contact. SEWA has now run many dozens of EDPs, but this was the first time that a group had returned for a reunion with its host ladies. Not all of our host ladies, and not all of the original group, could be present. But it was a moving experience for all who were present. From Ahmedabad the group also went to see the operation of the National Rural Employment Guarantee Act (NREGA) in tribal areas of Gujarat. In Ahmedabad, and later in Delhi, where the group interacted with senior policy makers from the Indian Planning Commission and the National Commission for Enterprises in the Unorganised Sector, our dialogue on analysis and policy continued, enriched by these experiences. We each spoke of our “light bulb moments”, when our thinking changed as a result of the experience and the dialogue.

As in Ahmedabad, 2004, and in Durban, 2007, dialogue group members were invited to write about their experiences, bringing out the personal and the technical. Some wrote two separate notes, some combined them into one. No uniformity was required on format. The notes as prepared are gathered together in this compendium, as a small part of the record of a remarkable reunion, and of the remarkable process of the Cornell-SEWA-WIEGO dialogue.

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<sup>1</sup> Members of the group are: Namrata Bali, Kaushik Basu, Suman Bery, Haroon Bhorat, Françoise Carré, Nancy Chau, Martha Chen, Gary Fields, Renana Jhabvala, Ravi Kanbur, Francie Lund, Karl Osner, Carol Richards, Jeemol Unni and Imraan Valodia.

**Namrata Bali**

## My light bulb experience on the EDP reunion

SEWA has been conducting Exposure and Dialogue Programmes since 1991 beginning with its first EDP with visitors from Germany. Exposure and Dialogue Programmes (EDP). Beginning in 1999, SEWA began using EDPs internally also - as a means to begin to sensitise members and organisers within SEWA.

In the basic EDP programme, participants live with a SEWA member, the Host Lady, and follow her daily activities for three days and nights. After the visit, the participants and women come together to share their experiences, analyse the policies and structures contributing to poverty, and develop alternate approaches that meet real needs.

SEWA has come a long way since its first EDP in 1991 and have since then organized total 40 EDPs till date. But this is the first EDP reunion of its kind –reunion between the EDP participants from SEWA, WIEGO and Cornell University. It is the first reunion between the host ladies and the guests since they had met five years back. In between many participants in the past had come and visited the Host Ladies on a personal level but the reunion of the participants and the Host ladies as an organized group was happening for the first time now. This effort was appreciated on both the sides especially by the host ladies. The participants also said how they gained insight and first hand exposure from staying with the Host ladies. It was an enriching experience for them and for us at SEWA Academy. This gave me as an organizer of EDP's at SEWA the idea to host similar reunions for the internal EDP members to sensitise members and to provide an insight into the diversity of SEWA's membership. Many middle class organisers do not have an in-depth understanding of the lives and poverty of women with whom they are working. It would help in staying connected and in building solidarity within the organisation. It was great to see how an EDP can reach to a policy dialogue and move further to South Africa.

The meeting between our group, and Ushaben, a construction worker (our host lady) brought back memories of the days spent with her family. Imran met Ushaben after five years since the EDP was five years back. Although we had been meeting Imran found her more articulate and confident as a result of organizing. On the other hand there has been no

change in her economic status since last five years. Though the wages for construction workers have doubled or increased three fold. She hardly manages ten days of work in a month; and her husband who is also a construction worker is even worse off. Expenses and cost of living has gone up. A basket of basic necessities like salt, oil, sugar, wheat costs dearer and there are days when the family stays hungry. Moreover in the past few years she has run into huge debts, first for her daughter's wedding, now for a ritual celebrating her daughter's pregnancy. Her total amount together runs to almost a lakh of rupees at a monthly 5% interest. The mounting interest rate of the money lender and his harassment has social pressures and have added to her woes. She is totally stressed out.

She mentioned the construction workers act and Ramilaben our facilitator explained it as follows:

The construction workers act was passed in 1996. It came to Gujarat on the 3<sup>rd</sup> August 2003. SEWA has been very active in drafting the rules for this act. As per the act there has to be a Tripartite Board. The Chairman of this Board is the principal Secretary of Gujarat. The name of this Board is Building and Construction worker's Welfare Board.

There are two main rules:

1. Building & other Construction Workers Act 1996.
2. Building & other Construction Workers Welfare Cess Act 1996.

At present 1200 workers have been registered in it. Of which 400 workers have got identity cards. There are two criterias for getting the cards.

1. Minimum 90 days of work.
2. Birth Certificate.

Given these conditions the organisers and leaders are facing great problems as mostly the contractors and employers do not certify the worker's 90 days of work and secondly many workers do not have birth certificates or any proof of their age.

Previously this was under the Labour Secretary but now it has been given to the factory wing of the Labour Department. Now to even get the cards renewed is a problem. The factory wing still does not understand the informal sector issues therefore the struggle goes on. The matter has been discussed with the DG Centre Welfare but the construction

workers are we are still waiting for a response. Ushaben explained that as they do not get any protection or benefit from such an act and her struggle for existence continues, as a leader of the construction worker's union, the difficulties in the implementation of the act have stopped new construction workers from joining the union, old members are losing faith and to keep them together is a big struggle.

On the second day our team, visited the village Bor in Dho Dhamba taluka of Panchmahal district of Gujarat. We visited the village to see the implementation of the NREGA (National Rural Employment Guarantee Act) Scheme. This visit was organized by "DISHA". While we were driving towards the village we found that there was good road connectivity but the moment the tar road ended and we moved more interior there were deep trenches dug on both sides of the kuccha road. When asked, the villagers informed that as the road had to be filled in with sand, before the concrete & tar is put in the trenches had been dug part of the NREGA work assignment. They had no clue about what would happen to the trenches later. A meeting was organized with the workers of the site. There was visible poverty. They were mostly tribals. In the absence of agriculture, many men were into construction work. The village had a concentration of mostly skilled construction workers like bar benders who in search of work migrated to cities like Ahmedabad, Surat, Baroda & Gandhinagar. As soon as our meeting started we enquired about job cards but none had been distributed. They were with the Sarpanch (The Village headman). On questioning a whole bunch of job cards arrived from the house of the village Sarpanch. The job cards had never got distributed, had irregular entries or no entries at all and most of the workers were seeing their cards for the first time. We took the opportunity off giving all the job cards to the concerned person. Looking at the situation, I felt that what the scheme needed was a strong education component that would make the villagers more aware, about the scheme secondly such an employment and relief programme should be designed in a way that the skills of local people are upgraded and used.

It was so satisfying to see all of them with their job cards even though with missing data. At least they got their identity and the second struggle for getting fair wages had begun....

Namrata Bali



**Kaushik Basu**

SEWA-WIEGO-EDP, 16<sup>th</sup> to 21<sup>st</sup> March, 2008

Kaushik Basu

## 1. Personal Reflections

These were six very moving days for me. They began with the drawing open of the curtain in my hotel room in Ahmedabad. There it was, spanning the horizon from left to right, the Sabarmati, its bulldozed banks giving an uninterrupted view of the river. The thought that its muddy, slow-moving waters had come all the way from the Aravalli range, past the ashram where Mahatma Gandhi once lived, into the commercial jungle of contemporary Ahmedabad, and now flowed past my hotel window under the bright sun of a late March morning, created a strange, heady sensation. Its banks were virtually deserted but for the few stragglers and a poor donkey-owner, with his emaciated donkeys. On the bank across the river were several high-rise buildings and artless office complexes, giving tentative signs of prosperity. The whole scene seemed to sum up India's despair and hope on one large canvas.

The next day, 17<sup>th</sup> March, the meeting with Dohiben and Sayra Baloch was very moving. Chatting with them and Jeemol about our shared experience four years ago and where we are all now one realized that so much had changed and yet nothing has changed. Dohiben talked about life in Jakotra, about how others in the village were doing and how one or two people from that poor village had began 'making it' in life; how they no longer had to rely on the meager supply of gum that emerged from the babool plants. At the same time, they were poor four years ago and they are poor now. Sayra, as spirited and kind as always, recalled her past years in Radhanpur, the tumultuous times of Gujarat, her work with SEWA and talked about her husband Aaliyar Baloch, who also works for SEWA.

The next day we drove to Phulpari village, in Limkheda taluka, Dahod district, which is a four hour drive from Ahmedabad—a bit of Gujarat that elbows into Madhya Pradesh. On the way we were told that we would stop at Godhra. This came as a surprise. Godhra is a name that sounds like one from history. One expects to read about it in books and magazines--it will certainly go down in history books with a certain amount of notoriety--but one does not quite believe it actually exists. So to be told that "we are stopping at Godhra for tea" does come as a bit of a jolt. This is however the office of the remarkable organization Disha. Paulomee Mistry of Disha joins us and I am so glad I got to know her. She seems to be a remarkable person, who has worked to organize the bhils of that region to lay claims to land that they lived on for generations, from before India's independence, from before the British came and pre-dating even the Moghuls, but displaced by the modern state since their rights were not backed up by court documents and dubious signatures of notaries public. Thanks to Disha's activism they have got back some of their land and in Phulbari we saw them struggling to eke out a decent living from a remorselessly drought-prone land.

We saw workers at an NREGA site where a well was being built on the land of a BPL household. NREGA rules allow the building of assets on personal land (I did not

know this) as long as the land happens to be owned by a below-BPL household and the household agrees to give access to others in the village to use the newly built asset. This particular day there is no work going on since holi is round the corner and since in India we have the charming custom that, when a holiday is a few days away, we celebrate this by having a holiday.

British Airways has failed to deliver my baggage; so I am managing with very few clothes. How others are managing with this I do not know, but they are too polite to tell me anything.

19<sup>th</sup> April morning we fly to Delhi and the next two days are locked in meetings in the NCAER. These meetings are, as always in Delhi, attended by senior bureaucrats, articulate academics and stylish activists. We argue, we criticize, we try to dismiss our debating opponent, but at mealtime we slap one another on the backs and chat and gorge (I did pay the price for the latter but that was after two days). I hope India can retain this spirit of combining argument with camaraderie.

22<sup>nd</sup> March is holi. All others have left and I stay behind at India International Center for one more day before catching my flight to New York. The irregular eating and hours have left me fatigued and so I decide to spend the day lazing around and reading and meeting a few friends. This last day turns out to be strangely beautiful. India International Center seems deserted; the car park outside is totally empty. Lodi Estate is not the area where the holi revelers go; so all is quiet and magical. I have never seen Delhi like this.

## **2. Technical Inflections**

Here are two analytical and technical matters I take away from these 6 days of field visits and seminars.

### **2.1 Labor, Labor and Capital**

We have all been aware of competition among the working classes. There have been movements to prevent ‘other’ workers from taking away jobs from the incumbents in a city or a region. Usually this happens among the relatively better off—the unionized workers, the clerical staff and so on. The moral dimensions of this became clear to me in Ahmedabad when some of our ‘host ladies’ brought up the difficulties caused by the infusion of new migrant workers from Bihar, Uttar Pradesh and Rajasthan. The point was never made aggressively but with resignation and in a tone of despair. What one does about this is not clear since it is evident that the migrants are even poorer than the local population and the problem is caused by the growing regional disparities in India.

This drives home the importance of policies to eradicate extreme poverty; so that one does not have to choose between one poor person and another. Competition is not that tragic when the competing agents are not at risk of losing basic livelihood and for whom

survival is not at stake. At this stage there is not much that can be done; we certainly should not try to stop migration by putting up artificial barriers to movement. The key is to improve conditions at the source so that people are not driven out.

Also there has to be some systematic method of diverting some of the spoils of labor market competition that accrue to firms to the workers in general, so that this competition ceases to be a competition between one class of workers vis-à-vis another. Various anti-poverty programs and employment programs can play a role in this. And this takes me to my second technical observation.

## 2.2 Employment Guarantee

This is an important month for India's National Rural Employment Guarantee Act (NREGA). The Act came into force in 2006 in 200 districts. This month it is being extended to over 600 hundred districts—virtually the whole country. The Act decrees that each rural household has the right to 100 days of employment each year. So government is required to run rural works programmes where the poor can work. Unlike previous employment-guarantee schemes (with the exception of Maharashtra's EGS in 1973), the NREGA makes employment a *right* of the worker. A worker can move the courts if no employment is provided, and is, in such an event, entitled to unemployment allowance.

I have been reading several evaluations of NREGA and have visited some sites where it is being implemented. I had in December 2007 visited some NREGA sites in southern Bengal and now, thanks to the SEWA-WIEGO-EDP, I managed to see it in Gujarat. In the light of the imminent expansion of the programme, this visit was very well-timed. It is a well-intentioned programme that involves many dedicated people. But I have to admit that, to me, NREGA overall seems to be a disappointment. The money spent on it in 2006-07 was over Rs., 8,000 crores, in 2007-08 was Rs. 10,133 crores, and, according to Pramathesh Ambastha, P.S. Vijay Shankar and Mihir Shah's (**Economic and Political Weekly**, 23 February) estimates, this will rise sharply this year and cross Rs. 50,000 crores when it is implemented in full.

With this kind of money, there is much more that can be done for the poor than will be achieved by this.

Recent studies show that the performance has been mixed. There has been pilferage, though on a smaller scale than in earlier food-for-work programmes. Lots of jobs have been created but lots of workers have been turned away and, importantly, seldom has unemployment allowance been given to those who could not be employed. This latter is a great failure and I am glad that on April 10<sup>th</sup>, 2008, Disha organized a protest with over 2000 people from seven taluks in Dahod, demanding that laborers who did not get work at least get their unemployment allowance. This failure amounts to a serious renegeing on promise on the part of the government.

The existing studies evaluate the NREGA against its own targets. What is not questioned is whether the targets themselves are flawed, and whether some of the failures are an inevitable consequence of conception flaws. Consider first the idea of making employment a right. No country in the world has ever succeeded in providing full employment. The chance of India—with its poor quality of governance and high corruption—being the first is zero. Hence, granting people the right to employment is to devalue the meaning of ‘right’. Rights, such as not to be tortured or to minimum livelihood or access to basic health facilities, that the state should be obligated to fulfill, get devalued by adding to the list rights that we know cannot be fulfilled. One thing that I came away convinced from our discussion in NCAER and in particular from the comments of Arjun Sengupta and Marty Chen is that full employment is something that we should aspire towards, even though we cannot probably ever get there. But, if that is so, and still we want to call it a right, we should probably create a new term, like an ‘aspirational right’, so that its importance is emphasized and at the same time its admitted impossibility does not weaken the demand for certain other rights which are fundamental and can be fulfilled by the state.

Another mistake is to judge the programme by the number of NREGA jobs that have been created. The economy is an inter-connected system; a poorly-planned intervention in one sector may create jobs in that sector but diminish employment elsewhere. Surely our aim should be to maximize all jobs in India and not just NREGA jobs.

The visit to Phulpari village in Dahod district, discussed above confirmed some of these misgivings. Drought prone, poor and rugged, this is the region of the *bhils*. We surveyed an area where villagers were working on digging a well (though there was no work on the day of our visit). In this area of chronic water shortage this could be useful, and, as was explained to me, it also meant that these poor people would not have to go hunting for jobs to cities.

But I could not help feeling troubled. It was evident that productivity on these projects is shockingly low and a lot of the resources produced will be of poor quality and transient. When I asked them why the well is being made so large, one of them mentioned that this is because they are paid by the amount of work done. So clearly work was being expanded even when that may not be necessary. The full-fledged NREGA is expected to have over 15 million workers. This will be like running a gigantic, inefficient public-sector enterprise. There are some countries that have run very efficient public-sector enterprises but India is not one of them. Our track record is poor.

Second, since the NREGA pays people for ‘work’, it keeps them away from other productive, income-generating activity. This is bad for the nation and also for the workers. If they were just given the money, they could have done more work and earned more. In this age of rising food prices, that could be useful to them.

Unlike some other critics, I am not worried about the fiscal burden of NREGA. I believe government ought to spend money on the poor. But the better way to do so is to

give money directly as a handout—a negative income tax—to the poor. There are excellent schemes that have been tried in other nations. We heard about the method used in South Africa from Haroon Borat and Imran Valodia. Something similar could enable us to have the same effect on the poor as NREGA with half the money spent. And the remaining half could then be spent on developing rural irrigation, giving incentives to the firms to take manufacturing activity to small towns and villages and providing better health and education to the needy. Employment programs have their role but to lay the entire burden of the nation's unemployment at its door step is to court failure.

**Haroon Borat**

From Ahmedabad to Delhi - Via Phulpari:

Personal and Technical Reflections

**Haroon Borat**

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Unlike a trip to any part of the world I know of, one lands in Mumbai at midnight, and then subsequently waits at least five hours for a connecting flight. So I arrived in Ahmedabad during the early hours of Sunday morning somewhat battered and bruised. I quietly skulked into my hotel room for some rest. The afternoon was, on the face of it, a standard international trip – a great lunch with Ravi and Marty followed by a swim in the pool with Gary. Françoise alas laments that she didn't bring any swimming trunks along. But then walking back to my room, the little map of Gujarat near the front desk was the early sense that this was not going to be a normal foreign sojourn. There it was – the little town of Valod in Surat – which various members of my family have spoken about over many years. This imprint of India, in conversations about aunties, uncles, sisters and brothers who were from Valod, Tadmashwar, Badoli and range of other towns within Surat suddenly staring back at me in the form of this little geographic image. This was the fairly tired old story, wasn't it, of the third generation Indian who returns to the ancestral land and has the India experience? There was a nice South African twist here – the 2<sup>nd</sup> wave of immigrants to South Africa generally all coming from Surat and so on. I rode this little emotional wave, egging Imraan along a little bit through our first evening.

The next morning as we drove through to the SEWA training centre on the outskirts of Ahmedabad, I was now able to see a town well and truly awake. Whilst the pollution was overwhelming, the notion of a country going through the energetic and frenetic process of economic growth, was so powerfully evident in this brief trip through the Gujarati capital city. Moreover, the rise of the Indian middle-class, omnipresent in the literature is a strong feature of the landscape: Air-conditioned, well-lit swanky retail outlets selling fridges, microwaves and up-market jewelry jostled with and ultimately dominated the informal, self-employed purveyors of everything from clay pots to scarves.

The discussions during the day were very emotional for both the host ladies and their erstwhile guests. I was unfortunate not to have made the first trip, and hence relied on the snippets of information transmitted here and there about each of the host ladies. I was paired with Imraan & Namrata who had spent their time with Ushaben a few years back. The conversation was intense yet riveting. Ushaben was angry, yet determined with her feelings and expressions being intermediated between ourselves and Ramillabhen – our facilitator. She was angry that in the years since Imraan and Namrata had visited – prices of her basic consumption items (oil, salt and wheat) had gone up significantly, whilst the offers of work on the *naka* had become scarce. The latter it appeared was a function of both competition from internal rural migrants and that, as a union member, there was an agreement not to work for less than Rs120 per day, which was above the seldom enforced minima of Rs100 per day. Indeed, there was a view expressed later in the day that this lack of enforcement may have been a result of a tacit agreement between the Gujarat government and large construction companies. However, it was clear that despite a higher asking wage resulting in fewer hours being worked by Ushaben – it was the significant



increase in her debt levels which had shaped and indeed would continue to modulate her livelihood strategy. It was astounding that a double family celebration of marriage and pregnancy could simultaneously translate into economic misery for a family with two employed adults. My romanticism of a return to the motherland was by now firmly replaced by the harsh realities which we had listened to well after our time was up.

What was also clear to me though – and here I found such a strong connection with my home, South Africa – was that Ushaben was incredibly strong-willed and determined. Indeed, she was in effect and in practice (but obviously not by tradition) the head of her household. In South Africa, the struggle for women's rights and in particular in the struggle against *apartheid* women in many different ways shaped and led our democratic movements. A saying in South Africa, 'When you strike a woman, you strike a rock!'<sup>2</sup> Keeps coming back to me as I look at Ushaben. The shared experiences in the afternoon were truly valuable and insightful. The raw experiences and the cathartic nature of the day for many was epitomized, I felt by Ramillabhen emotional remembrance (through song) of her late husband.

The next day was an impossibly early start (especially for the South Africans as Ravi noted!) for what was to be a visit to a job creation site – India's latest manifestation of this being ensured through the National Rural Employment Guarantee Act (NREGA). It was a public works programme, many of which I had visited in South Africa. It was also however to be the spark for my 'light bulb' moment on the trip. More of that later though. The bus trip was four hours long, with a stop at a town called Godhra. I am told en route, that this town was the location for the spark that lit the flame of Hindu-Muslim riots in 2002 In India. Expecting to see some scars of this violence as we drive into the town – none are apparent. Perhaps there is an underlying tension and intensity which an outsider cannot sense or appreciate. Our bus stops at the office of Disha – an NGO working on behalf of tribal communities – for a refreshment and an introduction to the NREGA schemes by Disha's Paulomee Mistry. The latter by all accounts is a remarkable woman, fighting the struggle for the rights of tribal communities in her region. Disha may be well known in the region, but even our Indian colleagues seemed pleasantly surprised by its effectiveness and quality of leadership.

The final drive to the scheme we were to visit, is interspersed with a long discussion with Renana in which she explained the intricacies of the SC and TC system and the genesis of the Parsi communities in India. I in turn provided as best I could some reflections on inter-racial complexities in post-*apartheid* South Africa. I did not notice the suffocating heat and the one hour journey from Gohdra to Phulpari.

The stop at the scheme was possibly the most jarring experience I have had in recent times. Expecting a jostling and fairly vibrant hub of activity around an infrastructure project (we were told it was a communal well) – instead we were greeted by a silence and deadness on the arid piece of land that we trundled through. Clasp our bottled water (and some of us wishing we had brought caps), a conversation with the recipients of the government's

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<sup>2</sup> The words were first written in 1956 when in South Africa, 20 000 women marched in protest against the extension of apartheid pass laws on black women

scheme ensued. No work was going on, due to the pending Holi celebrations. Perhaps that is why the discussion in the unforgiving heat, regarding how this extended family despite owning the piece of land we were standing on, needed to go into debt to purchase the seeds to the grow the crops that would eventually feed them – seemed so surreal. This family of two brothers made Ushaben look well-off. Interestingly, there were no debt obligations for this community arising out of marriage or marriage-related ceremonies. Furthermore, these were the migrants who were in part, under-cutting Ushaben and the minima she was adhering to in the construction sector. Indeed, the husbands of many of these women in Phulpari may be competing on the *naka* with Ushaben and her colleagues. This was the jarring moment: that unexpectedly we had met and sympathised with two sets of communities who inadvertently were directly competing and jostling in order to pursue what for them, was their most optimal livelihood strategy within the milieu of this growth miracle in India. The beautiful bench, draped in colourful cloth which the villagers had put out for us was embarrassing and touching. I left emotionally exhausted, but the spirits were lifted by Ravi and Namrata's singing on the bus. For four hours, right back into the heart of Ahmedabad, they kept us going with songs from the Bollywood vaults. The fact that I could suggest (yet not sing) about 3 of the hundreds of Hindi tunes repeated so melodiously on the bus was a significant achievement for me.

Delhi was a reflection of the rapid transformation that economic growth has brought to India. Visiting Delhi four years ago, two significant changes are evident: traffic and roads. Highways and new roads are being built all over the city and this had been matched by an immovable convey of metal and exhaust. The meetings and discussions with our host, Suman Berry and his colleagues at the National Council of Applied Economic Research (NCAER) put me back on familiar ground, although the memories of Ushaben and the Phulpari villagers will remain. The one-hour journey to Suman's home with Jeemol, Marty and Imraan through the Delhi traffic, interspersed with Marty's comment that she misses 'her old Delhi' will remain with me.

### **Technical Reflections**

The technical deductions which I went away with, based on both the visits and the NCAER discussions, include the following:

- There was a view, which Kaushik and I had a really interesting exchange on, around whether the NREGA schemes were in fact delivering jobs, income and assets to BPL households as intended. There can be no doubting the commitment and the energy of course, of the various officials in launching and running this programme. However, it is true that the combination of a high quantum of fiscal leakages along the way from Delhi to the villagers and the fairly low levels of productivity on these schemes is very worrying. Indeed, *The Economist* refers to the scheme as a 'charitable ditch-digging project'. I had felt then that the South African alternative was much better: A tight, interwoven and fairly efficient set of income transfers to poor households seemed to be a far more optimal manner in which to target the poor. In addition, the use of fingerprint technology on mobile ATM-type machines would also have ensured minimum leakages for India.

- A comment in the context of the above, from a senior government official at the NCAER seminar sparked my light bulb moment. The view he expressed was that while he was impressed with and supported the South African social security model, in his view South Africa had gone too far in the direction of social transfers as an instrument for poverty alleviation. The addition then, which I would make is that it is entirely possible that India had in turn gone too far (not far enough) in the direction of job creation (income transfer) schemes : This needs further development and nuance and therein lies an interesting set of research questions. First and foremost, what is the optimal mix between social security provision and direct job creation schemes? What are the determinants of such a mix? South Africa's high unemployment rate for example, suggests that perhaps we have not fully exploited the public works scheme approach sufficiently. India's masses of rural poor suggests the grant schemes need further thought and possibly be curtailed in favour of different transfer schemes. While the huge successes in Brazil are attracting much attention toward income transfer schemes, there is much thinking to be done around the optimal and appropriate mixture between social transfer interventions and job creation schemes in India and elsewhere. I hope that this observation serves as a seed for a more fruitful and extensive discussion between Indian and South African colleagues in the not too distant future.
- Whilst unionized construction workers were offering to work above the mandated minimum wage, it was clear that in most cases labour was being offered readily at below the minima. In another context, it was evident that many of the potential recipients of the NREGA schemes were being paid far less than they worked for, or in some cases were receiving delayed payments. Enforcement, in the language of Ravi and Nancy's model is endogenous. In the policy world, it really does mean that government ministries and indeed social activists need to be sure that legislative provisions and government pronouncements are enforced. This was therefore an important reaffirmation of some of the work that I've been doing in this area for South Africa: namely that the regulatory and legislative regime is always and in most contexts subject to issues such as:
  - The nature and extent of enforcement
  - The quality, efficiency and effectiveness of the relevant institutional environment designed to manage and oversee this legislation
  - The interpretation of the law by the relevant courts as a subjective process

Ultimately then, the confluence of legislation, institutions and the courts of law in ensuring the effective implementation and enforcement of policies must always feature in the frameworks adopted by economists.

- I was struck by the importance of the recent agreement struck between SEWA construction workers and a large Ahmedabad construction firm with regard to guaranteed labour supply and other services on government projects. The details on this were thin, but it was clear that through a much more focused state procurement policy – a more tangible impact on BPL households could be had. South Africa's Broad-Based Black Economic Empowerment (BBBEE) strategy is designed to ensure that private and public sector investment decisions incorporate the previously disadvantaged. The BBBEE policy has significant problems, but

certainly provides for a portal through which the state can engineer a redistribution of wealth through the market. State procurement provisions and their alignment to the poor would seem worthy of some further exploration for India.

- One area which we didn't touch on is that of skills. South Africa has a wealth of experience (not all good) in trying to improve the middle layer of the educational environment – that between the schooling system and the universities. The vocational educational & training system (VET) has historically been under-appreciated and under-explored in many developing economies and it appears that India is no different. To deal with early exiting from the schooling system and a global demand for semi-skilled workers in construction and engineering – a radical reinvestment and upgrading of the VET system is required in many developing countries. It is a huge job as the South African experience dictates, but certainly goes some way toward the tendency, in many developing economies to bias HRD investment in higher education toward universities and away from vocational, educational and training institutions.
- My final technical point, is a realization, through the visits and meetings of how important and varied household debt is. The notion that household debt is incurred to plant crops on the one hand, and to marry your daughter on the other hand – is an important nuance. Do we know for example, what activities, as it were, are the drivers of household debt? Do we have a sense, of the differentiation in classes of debt across villages, states and communities? If we view, as I believe we should, that household debt is a key constraint to poverty alleviation, then a better more detailed understanding of the nature of this debt is essential. In the same way that a private firm needs a very nuanced, multiple period account of its debt structure, for researchers interested in household debt amongst the poor, this part of the balance sheet, must be better understood and modeled.

**Françoise Carré**

Françoise Carré  
EDP March 2008 Ahmedabad, India

## **Personal reflections**

### Life of Kalavatiben:

Kalavatiben's family and work life have gone through transformation over the past 4 years. These changes are a reminder that basic features of family life and livelihood do not stay the same; a trivial reckoning but one with consequence for my reflections. We have had a chance to see how the patterns we identified in our host's life have played out over time. Sources of strength and vulnerabilities become apparent more clearly over time. Some challenges go away; resources increase when children grow up and can contribute to the household income. Other sources of vulnerabilities manifest themselves such as health issues.

In 2007, we had received some news of Kalavati through SEWA. She and other bidi rollers had to sue to receive the agreed upon employer contribution to the Provident Fund (for ill health and retirement). In her case, the settlement amounted to 2,500 Rupees. The bidi work had slowed down; the quality of leaf was poor. She had bought a sewing machine to take in "ready made" stitching (handkerchiefs, napkins), but had had to sell it to settle a divorce debt of one of her sons. At the time, she had taken a job cleaning dishes for a catering business and to supplement her income.

### *Family*

As of March 2008, her family has gone through significant transitions. It is now comprised of:

- her husband
- Her oldest daughter lives away, has a grown daughter who was married in 2004.
- Pinki, granddaughter (16) from oldest son, who stopped school in 7<sup>th</sup> standard
- Vishal, grandson (14) from oldest son, who is in 5<sup>th</sup> standard
- Eldest son Ravi: does not contribute to household expenses, unclear if he lives with the family
- Second son, Shankhar, his wife and a baby boy
- Third (?) son Kiran and his wife who expects a child
- Fourth (?) son Vashant, his wife and two baby daughters

(She may have a 5<sup>th</sup> son but neither of us was able to get his name.)

### *Livelihood and economic issues:*

As of our March visit, Kalavatiben had progressively stopped bidi rolling and taken up ready made stitching. She uses a donated sewing machine. The work entails getting large bails of printed kerchiefs, in long rolls, cutting individual ones, hemming, clipping loose threads, and packing. She has to buy the thread out of her own money, and obviously pay

for the electricity bill for running the machine. Costs also include machine maintenance (which she controls) and repair. SEWA is looking into forming a group of stitchers and buying wholesale supplies, like thread, cheaper in another state.

The household may rent a second machine for her second daughter in law, or son, to stitch as well.

Even though the piece rate for bidis has gone up recently from 36Rs/1,000 to 50Rs/1,000, Kalavati has stopped bidi rolling. The advantage of stitching, over bidi rolling, is that it does not bother her eyes as much. She had a cataract operation recently and was still healing. The work is less burdensome according to her. Also, she can have all the work she wants if she is able to turnaround orders ASAP; this often requires mobilizing household members.

The contributions of other household members to income are as follows:

- Her husband, who had been laid off in years past when textile mills closed and is a night watchman has declining amount of work. He now only gets 15 days of work a month.
- Her grand children Pinki and Vishal cut threads and trim the kerchiefs. Pinki had worked in a jeans shop/"factory" for 1,000-1,200 Rupees a month but the factory closed. She now helps with the ready made work.
- The eldest son does not work regularly and does not contribute to his children's upkeep (Pinki and Vishal)
- The youngest son who has married since 2004 and has a wife and two babies does not work steadily. He has a problem with drinking.
- (Am not sure what income earning activity her second son Shankhar has. In 2004, he worked in a small garment one-room shop.)

She takes on fewer financial commitments for weddings. In her social circles, (and I surmise with some SEWA prompting), people are reducing the expenses entailed by funerals, and wedding parties and presents in order to avoid heavy debt.

A factor of stability is that the rental arrangement for the house in Pili Chawl which used to be in an in-law's name, is now in her husband's name. She no longer worries about losing access to this unit which has cold running water and, importantly, electricity and good space for stitching and is affordable. Rent is 12 Rs./month. It would cost 2 lacks to buy a row-house (porch, front room, toilet, and kitchen) in Pili Chawl.

Her medical care has so far been provided through the bidi worker clinic.

Debt is an issue for probably every family we visited. In 2004, Kalavati was paying a debt due to one of her sons' divorce. In the years since, her middle son's wife (who had helped with bidi rolling and did much of the housework) divorced him, took him to court and won a maintenance allowance. When he failed to make payments, she lodged a complaint and he was taken to jail. This provoked a crisis in Kalavati's life. She got SEWA involved

whose staff helped line up legal assistance. He was bailed out but Kalavati, on his behalf, now owes debt to the former wife and some legal fees.

She also owes for part or all of the cost of the cataract operation.

### *Sustainability and going forward*

Stitching has enabled Kalavati's household to bridge an earnings challenge when the piece rate and volume of bidi trade went down. Now it is the only reliable source of income for this large household. We do not know how long ready made stitching will be put out to home based workers in Ahmedabad as opposed to somewhere else or back in small garment shops, where it was primarily in 2004.

In our later group discussion, I raised a question about whether stitching makes Kalavati's livelihood more precarious than bidi rolling. I had the sense that bidi rolling skills are rather unique to her group, her region of origin, and cannot easily be acquired, whereas machine stitching is simple and can be learned by many market entrants. I still don't know. She could go back to bidi rolling, if necessary. I don't think the skill is lost without practice although difficulty with eyesight and aging may make it harder work to do for long hours. We also heard that the young generation of women does not want to do bidi rolling so, if demand remains, there may be earnings opportunities for older bidi rollers if they need to revert to it.

Overall, Kalavatiben is "tired of her life." She is a very reserved woman, likely with good reason. In 2004, in spite of sorrow and anger, she said she had a "philosophy" that helped her put up with hardship, worries about some of her wayward sons, and economic strains. Now she sounds like her patience has run its course and she is more discouraged.

### Plenary on the lives of host ladies

Again, I was struck with the obvious, the knowledge that lives of our host ladies have changed rapidly over the past 4 years. As noted above, some factors improve, like children who grow up and contribute economically at a young age. But some households have lost family members who went to set up their own households and had a key role in income generation, as with tending a vegetable stall. Illness, both physical and psychological has taken its toll. With economic hardship, some suffer depression, husbands start or resume drinking. All of these have impacted livelihood options negatively.

Our colleague Haroon Bhorat talked of "on-going" shocks to describe the economic life of host ladies, not just occasional shocks. I think that is right, either due to the economic environment or due to family factors that affect expenses or the household's income generation.

Of the issues that were raised in the group as a whole, the surprises for me were:



- The rapid and uneven economic growth in Ahmedabad --the urban development which is dense, modern, and seems to shut off some access to informal economic activity: We all noticed that planned private sector development on one river bank is restricting access for sand, water, and occasionally camping for informal workers. We also heard of weakened commitment in policy circles to enforce labor standards.
- Economic growth also means the basic costs of living have gone up for urban residents.
- The striking role of internal immigration—from Bihar, Uttar Pradesh—that appears to have increased and threatens some activities with low “pay” competition. The growth of Gujarat draws in poor people from other states.

The economic threats to host ladies and SEWA members in similar situations are uneven. Threats come from immigration but also from technological innovations and from large formal sector corporations.

In construction and vegetable vending, there is formidable competition from all of these sectors. Immigrants are willing to work day labor at lower pay and threaten the agreed upon floor at early morning “shape ups”. Large construction companies in past years brought crews of out-of-state laborers with them, but local work was still available to local people street corner, early morning, “shape ups”. Now, immigrants are there as well. Mechanization means there is far less need for laborers (1/5 the need from few years ago according to Ushaben).

In vegetable vending, immigrants are also active, males from other states compete with local women, and surrounding area farmers bring their carts with fresh produce. Perhaps more importantly, urban development, the spread of modern supermarkets (e.g. Reliance) and their location in the best vending areas restrict selling opportunities for informal vendors. There are reports that vendors are shut out from the sidewalks surrounding modern malls (where the customer traffic is located). There will need to be a commitment to having mixed selling areas to forestall exclusion of street vendors—a political process. Tastes of the middle class are changing toward buying in stores.

In agriculture, the change is mixed. Mechanization reduces the volume of labor needed. However, for those with land, irrigation has brought improvements in livelihood, so have training schemes and the ability to compete in organics produce cultivation. Embroidery workers, those affiliated with the SEWA cooperative, have seen their livelihood improve.

In all, changes in markets and tastes have been rapid and are likely to continue. Technological change has been rapid as well. What the SEWA leadership told us when we started the visit is what we hear from host ladies. The rapid growth is bringing change for everyone but significant opportunity only to a few, while a large segment of their membership has experienced pressure on their earnings and a rising cost of living.

I do not want to lose sight of the challenge Elaben put to us all at the end of the opening meeting: What economic thinking will work for the future? --- that puts workers and

employment at the center of thinking, not a fall out from other processes—and that is different from what has been done up until now. This is, she says, the activist expectation of university-based people.

## **Technical Reflections**

Here I only sketch some take away points for me.

### Self employment

Regarding the discussion on whether the stylized fact that is used as the starting point for models should be that wage employment is preferable to self-employment, I came away perhaps more convinced than before that what is meant by “wage” needs to be specified. It is usually a short hand for “earnings.” We all know that people evaluate the earnings they can get from different activities, whether as dependent or self-employed, rather than a unit wage per se. But it seems to me that poor people make decisions not between a known wage/piece rate and another known rate but based on their assessment of the likely volume of work, or volume of earnings, something that is *not* known.

The disagreement with a two-sector model presenting wage work as always preferable stems from the fact that it presumes wage employment is concomitant with steady earnings, whereas self-employment is not. In fact, SEWA members may have a different perspective because: 1) the kind of wage employment that is accessible to them is no longer steady and is not a particularly good predictor of steady earnings; 2) they may be more confident in the knowledge they possess to assess the “unknown”, that is the earnings potential (volume of work/earnings) of self employment/own account work than that of wage work; and 3) SEWA has gained some social protection of its self-employed members that may be no worse than what is available to wage workers.

It is difficult to have this debate—whether wage employment is always preferable to self-employment in developing countries—at a time when wage employment itself is becoming less stable, more casual, more subject to brokered arrangements and possibly less “desirable.” (See discussion of the Commission findings below.) Retaining a two-sector labor market model (or at least one with very few segments) is pushing some of us to think about a divide other than wage vs. self-employment, that between “desirable” vs. less desirable jobs or “good” vs. “bad” jobs. And then we worry about how to quantify key dimensions of “good” jobs, particularly when one dimension might be the access it provides to other good jobs (a.k.a. “employability”).

### Visit to NREGA tribal area site in Gujarat and NCAER discussion

As an outsider, what is most striking about NREGA is not the formula for delivering income support but the scope of the program, its goal of universality. If it is fully implemented across all states, with virtually all households below the poverty line, and if

the full number of work days are provided to each qualifying household, then the program will have an opportunity to deliver a non negligible income stream in rural areas in particular. If it is sustained over several years as well as fully implemented, it holds the possibility of changing life in poor villages. If its implementation is thorough and sustained, it will introduce some degree of predictability in poor households' economic circumstances. This predictability may be sufficient to deter some of the migration to urban areas and eschew its social consequences (family disruption, severing ties to social service provision, and education if children migrate too).

Regarding the visit of the NREGA site in Gujarat tribal area, the meeting of the DISHA instigated union, and the Delhi dialogue, I concur with observations and comments made by others regarding the difficulties of implementation, and the difficulty of holding village and regional authorities accountable for implementation. In the village we visited, people are land holders but only meet 30-40% of their consumption needs with cultivation. Young men migrate to perform bar-bending on construction sites in Ahmedabad; several work for the same contractor. Eighty rupees per day would be sufficient to stay home rather than migrate (they get 120 Rs/day in Ahmedabad but obviously incur more expenses) some said. People had not seen their household work book until the SEWA group came and asked to see them; the village chief had kept them. They uniformly seemed to work far fewer days than the 100 days the Act guarantees.

One aspect of implementation was familiar; it was the “obsession” with ensuring that households should be paid only for work performed. Therefore much time and energy seemed wasted in keeping track of production. In this village, the collective project was rebuilding and smoothing the road connecting the village to the main road. Parallel to the road itself, trenches to retrieve sand for the road were dug to specific length and depth to ensure that work effort was measured accurately and consistently. To an outsider, it seemed more attention and effort went into preventing “cheating” among recipients of aid, rather than to providing the full number of guaranteed work days to each household.

### Report of the Commission on the Unorganized Sector

Perhaps because India is more open to markets, products and the ways of large market economies and their deregulation of employment arrangements, the Commission reported that employment growth has been mainly in informal jobs. Interestingly, it reported there is growing “informalization” in the formal enterprise sector. It documented the growth of informal jobs, that is, jobs without explicit contract, or with a spot contract, and without explicit job security of any duration. These jobs according to Arjun Sengupta, the Commission chair, are informal, entail economic vulnerability, and expose job holders to the risk of poverty, something heretofore not considered as part of the formal sector employment picture. One fact illustrates this change: the wages of casual workers are the same in the organized and unorganized sectors.

It is an ironic consequence of opening to world markets and growth. The expectation until recently has been that formalization of employment would occur concurrently with growth.

Likely, there is a change in employment practices in the organized sector that is not yet well understood and warrants further research.

The challenge for analysts is to explain how and why this informalization is taking place. This is an environment in which legislation on employment contracts, and other labor laws are there but not sufficient a constraint to explain the trend. The likelihood that evasion of constraining labor regulations is the key determinant of this pattern is low, according to Sengupta. The group had a debate about whether this is the case. Nevertheless, India is distinctive in that labor regulations have, for the most part, been insufficiently enforced to represent a labor market rigidity of the kind seen in other economies.

Marty suggested the possibility that export-led production is more subject to fluctuations. So, possibly, growing informal arrangements are a way for organized sector firms to shift some of the risk onto their workforce. It is the case that there is growing informalization of formal employment in other economies as well, for example South Africa and Korea. (It is also one of the arguments provided for the growth of “informal” jobs in developed countries where most employment is in formal enterprises.)

In this context, policy thinking on ways to strengthen the mechanisms for enforcing existing labor regulations (e.g. minimum wage) seems particularly important especially given the trend toward weaker enforcement of labor standards said to occur in Gujarat in particular, along with rapid growth of real estate and other industries related to urban development. I also agree with Marty’s plea to consider product market regulations with clear ramification for employment and wage levels.

#### Discussion of how to model decision making

At several points over the days of discussion, we debated different perspectives on decision making for the individual and household, in particular when elaborating how individuals decide between self-employment and wage employment. While we all agreed that economic models usually include a number of household characteristics (even if the short hand in some policy discussions is to talk of individual decision making), there remain differences in perspectives. These differences have to do with how many contextual variables are deemed to matter and how they matter. One perspective starts with utility and profit maximization and, only in a second stage, introduces “institutional effects” such as a minimum wage, and spells out what happens to maximization processes. Economy and institutions are separate. Another perspective conceives utility and profit maximization as processes that are, from the very start, institutionally and socially embedded. Change the institutions and/or social norms, and the decision might come out a different way. Economy and institutions cannot be separated conceptually. I do not think it is necessary to concur on a single perspective. I do think, however, that it is useful to be aware of the distinction in perspectives (and stylized facts) to understand where and why opinions differ on concrete topics.

**Martha Chen**

June 29, 2008

## **REUNION WITH HOST LADIES: MISSING AN OLD FRIEND, MAKING A NEW FRIEND**

Marty Chen

The Cornell-SEWA-WIEGO team has introduced another new element to the EDP process: a reunion with host ladies. There is little doubt that organizing a reunion in March 2008 with the host ladies from the January 2004 Exposure Dialogue was an important and significant development in the EDP process. There is also little doubt that Ravi and I were disappointed that our host lady – Kamla-ben – was not able to participate in the reunion: she has left her marital village where we stayed with her in January 2004 presumably to live with one of her sons but the SEWA-ben could not trace her whereabouts to invite her to the reunion. There is also little doubt that Leela-ben – Francie Lund and Suman Bery's host lady – was disappointed that Francie (because of passport problems) and Suman (because of prior commitments) were not able to participate in the reunion. But as soon as Leela-ben and I met our disappointments were forgotten as she so easily shared her life and work with me.

Prompted by questions that Francie has asked me to ask her, Leela-ben vividly and painfully narrated what had happened in her life and work over the last four years. Four years ago, Leela-ben, her husband Vinod-bhai, and three unmarried children earned their living – working as a family unit - through vegetable vending. Their daughter, Sheetal, would cook meals for the whole family and bring them to the sites where her parents and brothers sold vegetables. Since then, both Leela's older son (Kalpesh) and her only daughter (Sheetal) have gotten married. Until his marriage three years ago, Kalpesh had been a great source of support to his parents. But now, contrary to local customs, he is living with his in-laws and sells vegetables with his mother-in-law. Leela blames this situation on her daughter-in-law who stayed with them for a couple of weeks after marriage but couldn't "settle down" in their home. Leela complained that her daughter-in-law does not like to work and likes good food and fashionable clothes. Kalpesh and his wife have a 1.5 year old child and she is expecting another.

Two years ago, Leela and her husband arranged the engagement of their daughter Sheetal to a young man – paying 30,000 rupees as a down payment on the dowry - whose mother later broke off the engagement. They then arranged her engagement to a second young man. But Sheetal and that young man eloped to Mehsana (a city about 75 kilometers from Ahmedabad) where they had a civil marriage followed by a religious ceremony in a local temple. Leela likes her son-in-law who is a vendor who sells kites, fire crackers, and fruit (depending on the season) but dislikes his father and brothers who she alleges are drunkards. Worried about her daughter living with drunken in-laws, Leela has encouraged her daughter and son-in-law to move out and set up their own home. Her son-in-law, not sure how they would pay rent and utilities, has said they can only consider doing so after a couple of years.

Leela and her husband spent a lot on their son's wedding and their daughter's engagement. They spent 70,000 rupees on their son's wedding: taking two loans from SEWA (for 9,000 and 25,000 @ 18% per annum) and one loan from a finance company (for 36,000 @ 36% per annum). And they spent 30,000 rupees as a down-payment on the dowry for their daughter – but that engagement was broken. As Leela laments, neither marriage has worked out all that well.

On the work front, Leela's situation has also deteriorated. Their second son (Jagdish, now 22 years old) had a couple of casual jobs (*chootak mazdoori*) in a grocery and a plastics factory before landing a more regular job in a printing press earning 1000 rupees per month (of which, each day, 10 rupees went for transport, 10 for lunch, and 5 for snacks). But he developed an allergic reaction (asthma and a rash) to the dyes in the printing press and had to quit his job. He is not working at present but still demands some pocket money (50 rupees) each Sunday to buy snacks and see a film with his friends.

Meanwhile, Leela and her husband's vegetable vending business is not doing very well. She explains that there is a widespread recession (*mandi*) in the vegetable vending business due to a variety of factors. To begin with, many customers, especially those living in nuclear families, now prefer to buy cut-and-peeled vegetables and other processed food or, simply, order fast food or ready-made food. When guests come for dinner, families now often order out from restaurants (which buy their vegetables from wholesalers). Also, whereas food for weddings and festivals used to be cooked at home, families now hire contractors to cater such events. Secondly, vendors face increasing competition from private retailers. Leela noted that Reliance Industries has opened air-conditioned supermarkets that sell produce in fancy packaging from decorated counters. Customers are attracted by the sales gimmicks of these stores such as "buy one, get one free" and feel it increases their social "status" to be seen shopping from such stores. Leela says that vendors, who sell their produce in the open under dusty and hot conditions, find it difficult to compete. She also noted that customers today prefer "organic" produce and that farmers trick customers into believing that their produce – which is sold by their commission agents from camel carts on the streets - is the only produce grown with organic manure. Finally, the Ahmedabad municipality, aspiring for "mega city status" in order to attract investors, has converted much of the city's public space into boulevards, highways, bridges, and over-passes eliminating the footpaths and other spaces used by vendors and is demolishing slums and squatter settlements (forcing residents to shift to new locations far from the central business areas of the city). As Leela laments, big cities and high society do not want street vendors – they see us as a "nuisance".

To make matters worse, Leela's husband Vinod-bhai has become increasingly weak – both mentally and physically – and finds comfort in drink. When I asked Leela what kind of job her younger son Jagdish might look for, Leela promptly listed the three alternatives available to young people from working class communities in Ahmedabad: diamond polishing (2000-2500 rupees per month); other factory work (1200-1500 per month); and garment stitching (40-50 rupees per day). Even now, despite the recession in the vegetable

vending sector, Leela noted that young people could earn more from selling vegetables (3000-5000 per month) than from these “new” occupations.<sup>3</sup>

Given all that has happened in her life, Leela reports that her “mental tension” has increased. However, she finds great comfort in SEWA where, since 2001, she has been a “campaign team leader” among the street vendors. For her leadership role and responsibilities, SEWA pays her 75 rupees per day. Leela reported with pride that SEWA plans to lease or buy land and open a SEWA “bazaar” or vegetable market to be owned and managed by the street vendors.

The other host ladies had also experienced significant changes – often dramatic – in their primary occupations, as follows:

1. Usha-ben, Construction Worker - reported that employment opportunities in the construction industry had decreased due to mechanization (there are now 10 workers at construction sites where there used to be 50-60 workers) and to competition from migrant workers from Bihar and Rajasthan (who are hired as gangs of 15-20 workers for a season and are often paid in food rations rather than in wages). A national construction workers’ act (1996) was ratified by the state government of Gujarat in 2003 but its provisions, including a welfare scheme for construction workers and their children, has not been implemented. One of the barriers to implementation is that construction workers need to prove that they have been hired by a single employer for 90 days in a year. However, employers do not want to hire workers for 90 days as they would then have to comply with all labor laws. Moreover, as Renana Jhabvala explained, the construction industry lobby in India is getting very powerful and is trying to avoid pro-labour regulations in order to attract foreign direct investment. When SEWA organizers go to government offices to lobby on behalf of construction workers, they are told that the construction business lobby will follow and make counter-arguments on behalf of the industry.

2. Kesar-ben, Rural Small Farmer – reported a mixed picture. For agricultural laborers, increased use of large combine harvesters (hired @ 500 rupees per *bigha* of land) means fewer jobs in wheat harvesting. At the same time, there are also increased opportunities as more paddy is being grown due to the irrigation water from the Narmada dam via the Narmada canal: so more jobs are available in paddy cultivation. Some of Kesar-ben’s land was taken to build the Narmada canal but the water from that canal still does not reach her land. Kesar-ben took a loan from SEWA to redeem the land (5 *bighas*) she mortgaged to help pay for her son’s marriage. In 2007, Kesar-ben reported record sales - 25,000 rupees - of paddy.

3. Dohi-ben, Embroiderer – also reported a mixed picture. Embroiderers from Kutch and other parts of Gujarat are facing competition from machine-embroidery. At the same time,

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<sup>3</sup> In January 2008, I visited 12 working poor households in Ahmedabad that I have tracked for a decade or so. These families reported the same occupations with the same average earnings as those listed by Leela. When I asked them about new occupations in the fancier parts of Ahmedabad, such as at the shopping malls, they reported that the shops in the malls required “12 class” education and that the starting salaries in such jobs was no higher than those in the industrial jobs listed above.



SEWA has provided skills training to the embroiderers (e.g., in silk embroidery), developed new product lines, opened stores in Ahmedabad and New Delhi, and formed a for-profit company with the embroiderers as share-holders. As a result, the skills of the embroiderers supported by SEWA have improved, their earnings have increased, and they now “own their own company”. Although SEWA’s work in Dohi-ben’s area suffered a set-back during the recent crisis with the state government over an earthquake relief project, SEWA and its local members have managed to survive the crisis and implement many activities planned under that project. As an example, Dohi-ben noted that, through a local water harvesting scheme, she now gets more water for domestic use: she used to bathe once in 10 days but can now bathe daily.

4. Kalavati-ben, Bidi Roller – reported a largely favorable picture. For some years, across India, increased consumption of chewing tobacco (*gutka*) and a government-led anti-smoking campaign caused a slump in the demand for hand-rolled leaf cigarettes (*bidis*). However, the government has recently placed a tax on chewing tobacco which has raised the price. Kalavati-ben reported that, since the Diwali festival in November 2007, work orders for bidi-rolling have increased. Moreover, the piece rate for bidi-rolling has increased from 36 rupees per 1000 bidis some years ago to 50 rupees six months ago: as Gary Fields noted, this is an increase of nearly 40 percent (greater than the rate of inflation over the same time period). Also, according to Kalavati-ben, the local Bidi Workers Welfare Board appears to be operating quite well: providing training in computer skills and school scholarships to the daughters of bidi rollers. Kalavati-ben has left bidi-rolling to take up hemming handkerchiefs using an interlocking machine that she bought with a gift from Gary and Vivienne Fields. If she hems 250 dozen handkerchiefs per day, with the help of an assistant who cuts threads from the handkerchiefs @ 2.50 rupees per hour, she earns a gross income of 100-150 rupees per day. Kalavati-ben noted that she had worked for a single company – Jeevraj Bidi – for 40 years before switching to handkerchief hemming and, with some pride, that she and her fellow SEWA members won a case against Jeevraj Bidi entitling them to a provident fund after 25 years of service with the company: in her case, she got a lump sum payment of 2500 rupees.

In closing, our original host ladies from the January 2004 Exposure Dialogue seemed genuinely moved and touched that their Cornell-SEWA-WIEGO guests wanted to meet with them again and find out what had happened in their lives and work over the past four years. As Dohi-ben noted: “Many people come to visit us, go away, and write papers. This is the first time any of the visitors have come back.” And, as Usha-ben added: “Our in-laws who do better than us, don’t inquire about our welfare. But you came back and care for us and ask about our well-being”. Other host ladies fondly recollected details of the Exposure visits four years earlier: Osner-kaka carrying tomatoes on his head, and Françoise (called Padma-ben by her host who couldn’t pronounce Françoise) learning to make *roti* (bread) and *dhal* (lentils). Usha-ben noted in closing: “My husband, who didn’t even have tears in his eyes when his parents died, cried when Nancy and Imraan left last time”

The Cornell-SEWA-WIEGO guests were equally moved and touched to meet their hosts again and to learn about changes in their lives and work. All of us concurred that the Exposure Dialogue was a profound experience that we have shared with our families, our

students, and our colleagues. In particular, we were struck by the simplicity, courage, and strength of personality of our hosts. Through the reunion, we came to better understand the recent political crisis faced by SEWA and its members and the on-going economic crises faced by most of the host ladies and their families. As Haroon Borat, who did not take part in the original Exposure Dialogue, concluded: “This has been a humbling experience. All the reading and learning we do does not compare to what we learned today. We have also gained hope from the SEWA members”.

On a personal note, it was a matter of great sadness and disappointment not to meet Kamla-ben, the remarkable widow, tobacco picker, and SEWA leader who hosted Ravi Kanbur and me in January 2004. My hope is that the SEWA organizers will find Kamla-ben and tell her how much Ravi and I missed seeing her and that we hope to meet her soon again. But Ravi enjoyed getting to know Kesar-ben and I enjoyed getting to know Leela-ben who, despite all of her recent suffering, has a special gift for friendship and leadership.

June 30, 2008

## **THE EMPLOYMENT CHALLENGE IN INDIA: MICRO REALITIES, MACRO DEBATES**

Marty Chen

India is a fast-growing economy but employment is not growing as fast as output. deep pockets of poverty persist, and inequality is growing. Employment grew at a rate of less than 2 per cent per annum during the 1990s and at a rate of 2.5 per cent per annum between 1999 and 2005 (Ghosh 2007). Part of the enormous employment challenge in India is to increase the quantity of employment in India. Unemployment is increasing and is very high among urban youth, especially young urban women. There will be an estimated 70 million new entrants into the labour market over the next five years.

A second, and equally important, challenge is to deal with the quality of employment in India. Wage employment is on the decline: regular wage employment has been on the decline for some time but casual wage employment is also now on the decline. Real wages have also been falling. There has been a significant increase in self-employment, especially among rural women (mainly as unpaid family workers) but also among urban workers, both men and women. Roughly half of the workforce in India is now self-employed (Ibid.). Around half of all self-employed workers do not find their work to be remunerative despite have very low expectations of reasonable returns: 40 percent of rural workers would be satisfied with earning 1,500 rupees (or less) per month; and 33 percent of urban workers would be satisfied with earning 2,000 rupees (or less) per month (NSS 2004-2005 Survey cited in Ghosh et al 2007).

During our return visit to India in March 2008, the Cornell-SEWA-WIEGO Exposure Dialogue team explored the employment challenge in India: meeting with SEWA members and organizers to discuss what is happening to the livelihoods of SEWA members; visiting an National Rural Employment Guarantee Act (NREGA) scheme in rural Gujarat; and participating in policy dialogues in New Delhi on the NREGA as well as the 2007 report of the National Commission for Enterprises in the Unorganized Sector (NCEUS). Our discussions were rich and varied. This note summarizes what for me were the highlights of our discussions in India.

During our first day in India, Ela Bhatt, the founder of SEWA, posed a key question to our team. Why can't economists and policy makers, Ela Bhatt asked, design policies that would make employment creation more central, make current employment more productive and secure, and make all economies of India – formal and informal – grow? This question – or challenge - remained at the core of the deliberations of the Cornell-SEWA-WIEGO team throughout our one-week in India.

## I. MICRO REALITIES

In our discussions with the SEWA members who had hosted us during our first Exposure visits in 2004, several aspects of their work seemed new or had not featured as prominently during our earlier visit and discussions, as follows:

**1. Threats to Urban Livelihoods** – those engaged in urban livelihoods – notably, street vending and construction work – cited threats to their livelihoods from a number of sources. For street vendors, both the city environment and the markets in which they work are fast changing and becoming more competitive. Cities, such as Ahmedabad City, in their quest for “mega city” or “world class” status to attract investors are building boulevards, highways, bridges, and over-passes and evicting slum dwellers and street vendors at an unprecedented rate. The competition for urban space is fiercer than before and the street vendors remain excluded from city plans and planning processes. Furthermore, modern supermarkets are offering competition to street vendors; and changing consumer taste (for processed and fast foods) is eroding demand for the products they sell. For construction workers, mechanization is eliminating jobs (as one SEWA member put it, “there are 10 workers now at sites where there used to be 50-60 workers”) and migrant workers are driving down wages. Finally, changing consumer taste and competition from cheap Chinese imports are undermining the demand for low-cost consumer goods produced by small-scale urban manufacturing enterprises: e.g., low-cost Chinese-made furniture is undermining the livelihoods of Indian carpenters.

**2. Mixed Prospects for Rural Livelihoods** – those engaged in rural livelihoods report a more mixed picture. Like construction, agriculture is being mechanized: the increased use of combine harvesters means fewer jobs during harvest season. But irrigation water from the Narmada canal system means that more jobs are being created – at least in paddy cultivation and wheat planting. Although it is too soon to measure impact, the employment created by the National Rural Employment Guarantee Act schemes appears to be stemming distress migration from rural areas. Also, in the case of rural artisans (specifically embroiderers from the Kutch area of Gujarat), SEWA has been able to generate employment through skills training, product development, and market facilitation. In so doing, they have created a for-profit company of which the women embroiderers are shareholders.

**3. Pro-Business Regulatory Environment** – in the current pro-business environment, businesses or employers are able to lobby quite effectively against enforcement of labour regulations and have the upper hand in negotiating contracts with the labourers that they hire.

We were also reminded by the stories of our SEWA hosts that low-income households incur significant expenditures which often lead to financial stress or crises across the life-cycle of its individual members – birth, marriage, and death. The most commonly-known and costly of these is marriage payments in the form of dowry (and less so bride price). One of the SEWA hosts had married two children during the last four years: she and her husband had to borrow nearly 100,000 rupees to cover their share of the wedding expenses.

Death ceremonies are also quite costly. In addition to the direct costs of death ceremonies, the death of an earning family member often entails a significant indirect cost - the loss of one stream of income to the household economic portfolio. But households lose earning members in other ways as well: notably, when earning members are disabled or when they set up a separate household. When daughters marry, they typically move to their husband's home. When sons marry, they often set up a separate household. But at least one son, often the youngest, is supposed to continue to live with and take care of parents even after his marriage. However, the recently-married son of the SEWA host who spent so much on his wedding moved in with his in-laws and now helps his mother-in-law (rather than his parents) sell fruits and vegetables.

## **II. MACRO DEBATES**

In New Delhi, we participated in two policy dialogues organized by the National Council for Applied Economics Research (NCAER) on behalf of the Exposure Dialogue team. Both dealt with the employment challenge facing India: the debate on the National Rural Employment Guarantee Act focused more on the quantity, than the quality of employment, although many observers worried about the unproductive nature of the work in most of the NREGA sites; while the debate on the report of the National Commission for Enterprises in the Unorganized Sector focused more on the quality of employment, through labour regulations, in the informal economy.

### **1. National Rural Employment Guarantee Act (NREGA)**

The debate on the NREGA crystallized into two main schools of thought. First, there are those (like Ravi Kanbur) who are supportive of the goals and design of the NREGA but recognize that there are many related problems of implementation. Ravi et al feel that, if the implementation problems are resolved, the NREGA would serve to stem rural-to-urban migration, increase productivity in agriculture, and increase investment in children's education. Second, there are those (like Kaushik Basu) who remain skeptical of the goals and design of the NREGA even if all the problems of implementation are resolved. Kaushik et al highlight the unproductive nature of the work and are concerned that the NREGA will create or perpetuate an underclass of unskilled workers. Kaushik feels that cash transfers might be a better alternative. Interestingly, reflecting on the comparative experience of cash transfers in South Africa, Imraan was attracted to the work aspect of the NREGA as he thinks there is "dignity in earning".

A third group of observers, including myself, feel that the NREGA is a good model of a social safety net that provides a minimum social floor of work-earnings. My belief in public works as a way to guarantee work-earnings dates back to the mid-1970s in Bangladesh where the public works set up after the 1974 famine helped resolve the immediate work-earnings crisis, helped to bring women into the labour force, and were later used in creative ways to generate on-going employment for women (notably, through tree plantations along highways). In Bangladesh, food aid was also used to subsidize a poultry-rearing program jointly developed by the NGO BRAC and the Government of Bangladesh which has since benefited hundreds of thousands of women. But I do not see

the NREGA as a substitute for a sound employment policy in India. I am concerned that the presence of the NREGA will distract the attention of the Government of India from the broader employment challenge: the real issue, as I see it, is not only how many jobs are created by the NREGA but also how many jobs overall are created in India (and what is the nature or quality of those jobs).

## **2. National Commission for Enterprises in the Unorganised Sector (NCEUS)**

The debate on the 2007 Report of the National Commission for Enterprises in the Unorganised Sector (NCEUS) focused primarily on labor regulations and the informal workforce (which comprises 93% of the total workforce of India).

The impact of labor regulations – notably, minimum wage regulations – on employment has been one of the key topics of debate within the Cornell-SEWA-WIEGO team since our first Exposure Dialogue in January 2004. Clearly, most employers try to avoid labor regulations. In India, employers have reacted in creative ways to the welfare acts set up for bidi workers and, more recently, construction workers. The result is often informal employment, not unemployment. So, in the Indian context, the debate should be reframed in terms of whether or not labor regulations – including minimum wage regulations – lead to informalization of employment. But can labor regulations alone account for the very large share of informal employment in total employment in India? Several of the team, including myself, question whether labor regulations alone can account for the fact that, in India, less than 10 percent of all workers are formally employed and half of all workers are self-employed.

Arjun Sen Gupta, the Chair of the National Commission for Enterprises in the Unorganised Sector, argued that the minimum wage legislation is not a major binding constraint in India and does not, therefore, lead to a fall in employment. Rather, it is a norm that provides a basis – or threshold - for collective bargaining. Based on his knowledge and experience in South Africa, Haroon Borat pointed out that it is important to “unpack” labor regulations to see which labor regulation is most binding and which labor regulation is driving what response. He also noted that legislation per se may not be at fault: but, rather, the interpretation of the legislation and the enforcement of the legislation through various institutions (bargaining councils, unions, employers’ associations, labor inspectorates).

Finally, there was a good deal of discussion about the relative power of the private sector vis-à-vis a) the state and b) labor. In the current pro-business environment, Renana Jhabvala emphasized, efforts to enforce labor legislation are being undermined by the business lobby. As a result, government officials at all levels deliberately avoid or ignore enforcement of labor regulations. Given the historically low capital-to-labor ratio worldwide, the power of employers has increased relative to labor. Ravi Kanbur presented the central argument of a theoretical paper that he and Gary Fields have recently written on employer power in labor markets: namely, that employers have the power to adjust and retain employment.

### III. CHALLENGES AND DILEMMAS

From all we saw and heard, as Imraan Valodia put it, there is a mismatch between the micro-stories of the SEWA members and the macro-story of the Indian economy. It is clear that many of SEWA's members are losing their livelihoods or their comparative advantage in the fast-growing Indian economy. While the Indian economy is growing at an unprecedented rate, the economy of the households of many SEWA members is declining or remaining stagnant. As the Secretary of the SEWA Union, Rahima-ben, put it when asked about new employment opportunities: "We are always chasing, but not catching, these opportunities". What about the existing occupations of SEWA members? Will they survive? What do SEWA members need to be able to adapt to change? Will they be able to adapt? What aspects of change should they resist? What aspects of change should they not resist but seek to "catch"?

These questions – related to the key question from Ela Bhatt – stayed with us throughout our return visit to India. We were not able to resolve them but we did agree that we need to have better models, not just policies, to address them. As Haroon Borhat summed up the challenge: "we need to get models right and policies right".

#### Getting Models Right

An underlying theme of our on-going deliberations is whether the current models of labor economics can handle the complexities of the micro-realities of the SEWA members and other working poor in the informal economy. There are several aspects of labor market models, as follows:

Structure of Labour Markets – At the end of our India visit, Ravi Kanbur posed a key question that has emerged from the series of discussions the team has had over the past four years: how much should labor market models be aggregated or abstracted from the multi-segmented reality of employment arrangements? More specifically, what model of the structure of labor markets should we endorse?

2-sector model: wage employment + self-employment

3-sector model: wage employment + 2 kinds of self-employment: high and low end

4-sector model: formal + informal wage employment  
high + low-end self-employment

6-sector model: formal wage employment  
informal wage employment: regular and casual  
self-employment: high-end/employers  
self-employment: low-end/own account workers  
industrial outwork

Ravi recommended that we accept the 6-sector model empirically. The question is what does it offer theoretically or in terms of policy? What do we lose by accepting a 3-sector rather than a 6-sector model in terms of predicting the behavior of labour markets or

developing appropriate policies? Ravi noted that accepting a 2-sector model privileges the notion of moving to a “good job” over the notion of improving the productivity of existing employment (Ela Bhatt’s challenge). Arjun Sen Gupta argued that a simple labor market model cannot explain the labor market in India as it is so segmented. He also noted that market segmentation is compounded by social segmentation in India.

Behavior of Labor Markets - Many of the team agreed that labor markets are not perfectly competitive: that employers have more power than labor, especially given the historically low capital-to-labor ratio and the decentralized modes of production associated with globalization.

Impact of Labor Regulations - In addition to the discussion on labor regulations summarized above, Haroon Borat and Imraan Valodia noted that focusing on labor regulations reflects a narrow understanding of regulations. For the self-employed, product regulations are as or more important than labor regulations. Also, for the self-employed, municipal by-laws, government procurement norms, and sector-specific policies are often more important than labor regulations.

### **Getting Policies Right**

The policy counterpart to a multi-segmented model of labour markets is a multi-pronged policy model. Labour economics – and labour economists – tend to focus on labour regulations (typically seen as “bad”) and active labour market policies (typically seen as “good”). But these pertain only to the wage employed. What about the self-employed who represent half of the workforce in India? What about, especially, the own account operators who represent the bulk of the self-employed?

For the self-employed, as noted above, product regulations, municipal by-laws, government procurement norms, and sector-specific policies are often more important than labour regulations. The self-employed also need access to productive resources, capital, land/space, equipment, and more.

What is needed is a policy framework and approach that seeks to enhance both the productivity and protection of the various segments of the informal workforce. In the following framework, labour market policies are highlighted in *italics*:

<b><u>SEGMENTS OF INFORMAL WORKFORCE</u></b>	<b><u>POLICIES TO ENHANCE</u></b>	
	<b><u>PRODUCTIVITY</u></b>	<b><u>PROTECTION</u></b>
SELF-EMPLOYED		
<ul style="list-style-type: none"> <li>• employers</li> <li>• own account operators</li> </ul>	<ul style="list-style-type: none"> <li>regulatory environment</li> <li>procurement policies</li> <li>price policies</li> <li>sectoral policies</li> <li>infrastructure &amp; services</li> </ul>	<ul style="list-style-type: none"> <li>commercial law</li> <li>property rights</li> <li>social protection</li> </ul>



## WAGE EMPLOYED

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"><li>• informal employees</li><li>• casual day laborers</li></ul> | <i>skills training</i><br><i>job matching</i> | <i>employment protection</i><br><i>minimum wages</i><br><i>non-wage benefits</i><br><i>social protection</i> |
|--|---|--|

## INTERMEDIATE CATEGORIES

- |   |                           |  |
|---|---------------------------|--|
| <ul style="list-style-type: none"><li>• industrial outworkers</li></ul> | infrastructure & services | <i>work protection</i><br><i>minimum piece rates</i><br><i>non-wage benefits</i><br><i>social protection</i> |
|---|---------------------------|--|

As Ela Bhatt concluded when we met with her and other SEWA organizers in Ahmedabad: “We need fresh economic thinking, not modeled on developed country experience – but based on what people are doing: people-oriented theories. To produce food, clothing, and housing – *roti, kapra, makaan* – so much employment is possible. Why is it not being generated?”

**Gary Fields**

**Personal Reflections**  
**Gary Fields**  
**April, 2008**

It was deeply moving to talk to Kalavatiben again. Many times in the last four years, I have told her story in class and in seminars. I was heartened to see that her real earnings adjusted for the rising cost of living had improved within the bidi trade and that she and her family have the prospect of earning considerably more sewing garments.

On the other hand, Françoise, Vivian, and I were deeply saddened by the personal difficulties that continue to plague her life. The problems facing her through family members - alcoholism, divorce, gambling, perpetual indebtedness, and low quality education – continue to impose an at-times unbearable burden on her. Her words are more eloquent than anything I could say, so I will simply report them:

“I’m tired of my life. I struggle, struggle, struggle in my working life and my personal life.”

“I have to be strong. I have to earn. Otherwise, everything will fall to pieces.”

“My daughter is happy. One son is good.” [Kalavatiben has five sons.]

“With courage, I can maintain this life. I cannot lose my courage.”

“Somehow, we have to manage.

**Technical Reflections**  
**Gary Fields**  
**April, 2008**

I have only two technical points to make. One concerns the economic well-being of women like our host ladies. The other is about a model consistent with what we have been observing in the field.

Some colleagues felt that our host ladies have been making little or no economic progress despite India's rapid macroeconomic growth. As one of us put it, "The macroeconomic and microeconomic are disconnected from each other." And yet our host lady, Kalavatiben, and other bidi rollers like her have in fact been making substantial progress. When we were here four years ago, their "wage" (actually a piece rate) was Rs. 36 per 1,000. Now, it is Rs. 50 per 1,000 – a 40% nominal increase. Nobody figures that the cost of living in India has gone up 40% in four years. Furthermore, they now have six or even seven days of work a week, which they very much want. Thus, the bidi rollers *are* better off in economic terms than they were four years ago – something I didn't know until our reunion with them.

The other point I want to make is a follow-up on discussions Ravi, Nancy, and I have had at Cornell about why minimum wage increases do not seem to have reduced employment among bidi workers. Nancy and Ravi's interpretation was that it was because of a Stigler-type monopsony explanation. However, nothing I saw confirmed this interpretation, nor did a direct question to Shaliniben indicate that in SEWA's experience, employers had *increased* employment when a minimum wage was imposed, as the Stigler model requires. In Shaliniben's opinion, employment of bidi rollers is essentially invariant with respect to the wage, but it has moved in response to other factors such as taxes on chewing tobacco and a forceful anti-smoking campaign on the part of the government.

A model consistent with these observations is that each of the three bidi brands is earning triopoly profits and therefore, within some range, wages could be raised and the employers would still demand as many SEWA members to roll bidis as before. However, beyond some point, an increase in wage would induce one of the employers to cut back sharply on employment of SEWA members, either by moving elsewhere or by mechanizing. A further increase in wage would at some point induce a second employer to cut back sharply on employment, and likewise later for a third.

Thus, I conclude that rather than the labor demand curve being continuously downward-sloping, the demand curve for SEWA members in the bidi trade would better be represented as having three piecewise vertical segments. Figure 1 on the next page displays the traditional model, Figure 2 the proposed alternative.

Figure 1.  
A Standard Continuous Labor Demand Curve.

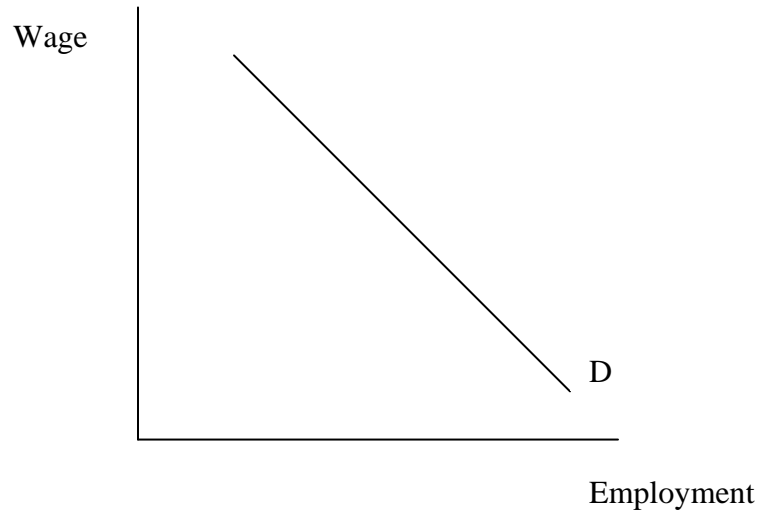
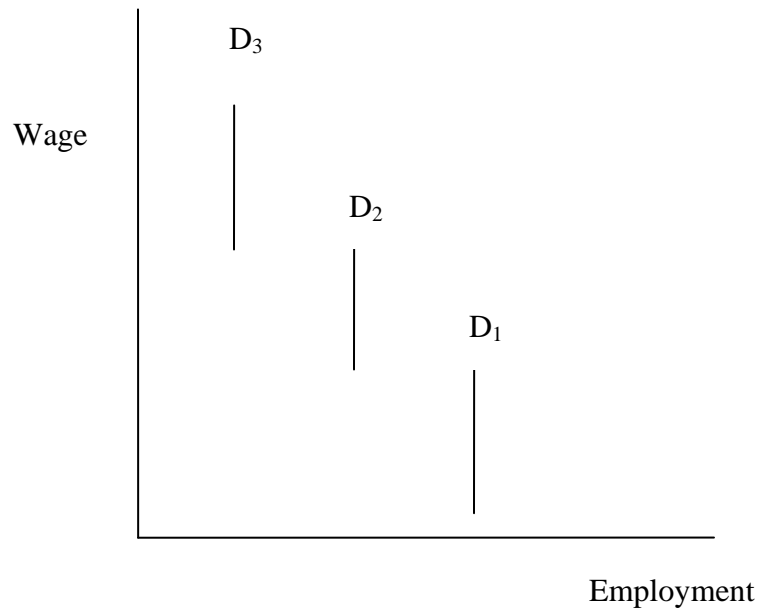


Figure 2.  
Downward-Sloping Labor Demand with Piecewise Vertical Segments.



**Renana Jhabvala**

My original group was Kesarben, a small farmer, Chanchalben, a local SEWA village leader, Carol and Osner Kaka. Kesarben looked the same as before except that all her upper teeth were missing, and she was speaking much more than before. Earlier she hardly spoke and let her husband and sons do the talking. Both bens and I also kept remembering and missing Carol and Osner Kaka---a real emotional connection there.

We discussed the changes in the villages in the last four years. The major change is the village is that the waters of the Narmada canal have come to the village and land become much more productive. Chanchalben has already benefited. She said that she had a small piece of land which she could not cultivate and was just a waste land. This year she was able to irrigate it and earned Rs. 25000 from it.

Kesarben has not yet benefited from the canal, as the smaller feeder canals which run past her land are still being built. In fact, so far the canal has been not good for her. First, the Government took away a piece of her field as the canal was to run through it. Some of her crop was destroyed and the amount of her land has also decreased. She has received some but not all of her compensation for it. At the same time, she has lost her earlier source of water. The person whose well water she was using for irrigation has closed up his well because he is now receiving canal water, so Kesarben has no irrigation. So she has stopped growing tomatoes and other vegetables and only grows grain. However, she does not feel too bad, because she knows that she too will get canal water soon, maybe next year.

Three years ago she had received a loan from SEWA Bank and had released her mortgaged land of 5 bighas. So, she has been able to take a crop on this land for the last few years which has added to her income. It was not easy to get the land released as the person to whom she had mortgaged it refused to take the money and release it before the period of 5 years. Kesarben and her husband tried to persuade him and then her two sons but he refused. Finally an official from SEWA Bank had gone to meet him and told him that we could start legal procedures against him. He had to then release the land but he threatened her sons and said that if they kept trying to get their land back he would get them beaten up. But finally Kesarben took back her land.

Chanchalben said that a lot of poor people had lost land in the last few years. She said the better off people in the village had been making loans and taking a mortgage on land. They would be very generous and give a loan of Rs. 20,000 even if the person only needed 10,000. Then the poor person would not be able to repay and would lose the land. The better off people had realized that with the Narmada canal the value and productivity of the land would increase so they were trying to acquire as much of it as possible. So the loan that Kesarben and others received were very timely.

Chanchalben said that her two sons rarely work on the land now. Her elder son comes to Ahmedabad everyday and works as a painter of houses. There is a lot of construction now and he gets work everyday. Her younger son had taken a loan and bought his own auto rickshaw. Unfortunately this year he had an accident had to have stitches in his head and also broke some bones. He is still not fully recovered but when he gets well he will take the insurance money from the old rickshaw and get a new one.

It seemed to me Kesarben's family is doing Ok---and looking forward to better times when the canal waters get to them. However, she worries about who will work the land as neither of her sons is interested. Chanchalben, on the other hand has done really well in the last two years, thanks to the canal.

Caste is however as strong in the village as ever. Chanchalben is dalit and Kesarben from a backward caste. When I asked, "Who will work the land if your sons are not there?" She said, "Oh, there are a lot of 'dhed' we will hire them". Dhed is the derogatory term for dalit--- and Chanchalben was sitting right there in front of her!

For me, the visit to the NREGA project was enlightening in a number of ways. First, on a personal note I was very happy to see how well Disha is working. Disha was founded by Paolomi's father Madhusudan Mistry, and I was one of the founding trustees. Second, I was once again reminded of the extreme poverty, even in a prosperous state like Gujarat. Although we did not discuss it, I have seen the exploitation that the tribals face when they migrate to urban areas or to big farms for work. And in Madhya Pradesh I have seen them sing really heart-rending songs as they leave their villages. I have been a supporter of NREGA, only because it is something that will stop the distress migration for the millions of people who live in areas like the ones we saw in Dahod.

What was upsetting was how it is being implemented in Gujarat. It seems that the State Government really does not want it to succeed. There is a political issue there, I think. The Gujarat Chief Minister is posing the "Gujarat model of Development" as the model which should be followed all over the country, as opposed to the "populist schemes" of the UPA Government.



## Government Schemes and Methods of Delivery

During the NREGA discussion, we discussed cash-transfers versus works based methods of addressing poverty issues, in particular we talked about the South African experiences with cash and other types of schemes transfers and the Indian experience with works-based . To me the interesting point in the Indian experience is the “delivery system” for most of the schemes etc. in India. At present in India, the main delivery system is through the various departments in which the end point is the panchayat/BDO (and other functionaries under the BDO) in the rural areas, and the Urban Local Body (ULB) in the urban areas. This delivery system is not a direct relationship between the State and the citizen but is mediated by a complex set of relationships at many levels. First, is a set of political relationships. For the elected representatives down the line, these schemes are a form of patronage which they can use to ensure votes. Second, for the officials and the elected representatives, they are an important source of earning for themselves personally and for the political party. Third, the schemes are used to change caste relationships. Fourth, they mediate the political/power relationships between the various arms of Government----Central, State, District, Village; also elected representatives and the officials. The result of all this is that most citizens who are possible ‘beneficiaries’ of schemes find that obtaining the benefits depends on what they pay and who they know.

To me the real question is not how much money is put into this or that programme, but how to address the question of the delivery system. A very famous statement of Rajiv Gandhi was that only 10 p out of every rupee reaches the intended beneficiary. This means that 90p is going towards strengthening of this complex set of relationships which is the delivery system.

## Small Producers

I was very much struck by the contrast between our discussions on own account workers and also Arjun Sengupta’s presentation on the one hand and Kaushik Basu’s reading of India’s manufacturing future on the other. What Jeemol and the NCEUS have been saying is that more than 90% of enterprises in India are small (with less than 5 workers) and by investing in these small producers we will not only increase earnings and productivity but also overall growth. What I heard Kaushik say was that for India to be able to compete in the world market, at least in manufacturing, it is necessary to have large factories like those in China.

The question I would like to ask is does one preclude the other? Small enterprises can be very efficient with appropriate infrastructure and technology. Large enterprises often outsource to smaller ones. The NCEUS has suggested “Clusters” and “Growth Poles” to increase productivity and efficiency of small enterprises and own account producers. It is something that I feel is important to explore. If the Chinese model of huge factories comes to India, we will be creating massive unemployment as over 70% of workers in manufacturing are in these very small units.

### Everyone wants jobs in the formal sector

A light bulb moment for me was understanding what Gary has been saying about the formal and informal sectors. As I understood it, he says that people are in informal work--- self employment or informal jobs--- because they cannot get work in the ‘formal’ sector. The formal sector for a worker means a “formal” workplace with decent wages, job security, social security and a voice through unionization. I have come across this view a lot in the international trade union movement, where the answer seems to be that the informal sector should die out and the formal sector be the mainstream economy.

I feel this would be very nice, and it would be great if everyone got jobs in the ‘formal’ sector. However, this view would have been realistic 30 years ago, but is unrealistic today. “Formal” workplaces, job security, workplace unions are largely disappearing and being replaced by “flexibility”. “Formal jobs” are disappearing and being replaced by flexible ones. We need to be accepting the large numbers of self employed and informal workers and exploring what “good work” or “good jobs” mean in their lives.

**Ravi Kanbur**

## **Cornell-SEWA-WIEGO Dialogue, March 2008**

### **Reflections**

**Ravi Kanbur**

**23 April, 2008**

#### **Personal**

“You are very beautiful”

Every one of the five dialogues we have had in the last five years has produced wonderful, striking memories. Working in the tobacco fields with Kamlaben in Gujarat, and with Mama Ngidi making concrete blocks outside of Durban, stand out. A special bond exists through the experience, not only with the host ladies but with my partners in the exposure part of the “Exposure and Dialogue” (EDP) program—Imraan with Mama Ngidi, Marty with Kamlaben.

I was looking forward to meeting again with Kamlaben at our EDP reunion—which Namrata tells us is the first time in the 40 or so EDPs SEWA has organized that the outsiders have come back to visit the host ladies again. I wanted to find out what had happened to her and her family, and how the opportunities and risks of technology and trade that were buffeting her had played out. Although this was not be a full EDP, in the village, but a day long meeting at the SEWA Academy centre in Manipur, seeing her in person and talking to her after four years would be an important stepping stone in our dialogue—she would no doubt ask as many questions of me and Marty as we would of her. Alas, it was not to be. Kamlaben had gone from her village to stay with her daughter some distance away, and SEWA could not contact her. Marty and I were allocated to other host ladies. I listened in to Renana’s reunion with her host lady, Kesarben. Fascinating as that was, I did not feel emboldened enough to ask detailed questions. I resolved that sometime in the near future, when Renana and I were both in Ahmedabad, I would prevail upon Renana to take me to visit Kesarben in her village.

After the EDP reunion we moved on to the next stage of the program, a field visit to National Rural Employment Guarantee (NREGA) sites in Dahod district. Our hosts were Disha, a very impressive organization that helps to organize tribals (mostly Bhils). They have been advocating for an NREGA, and are now organizing to see proper implementation, despite what seems like considerable foot dragging at the higher levels of government, and the persistent corruption at lower levels (no doubt at higher levels too). The brief interaction with Disha only strengthens my belief in the importance of Membership Based Organizations of the Poor. Disha has helped to form a union, Eklavya Sanghatan, to demand rights of tribals in this and other contexts.

We are taken to an NREGA site. I am with a group that includes Imraan, Jeemol and Namrata from our dialogue circle. On the way there we see the ditches dug, for road covering, on either side of the road. We guess that this is through the NREGA. Villagers are waiting for us. First thing Namrata does is to ask to see the employment cards. None are to be seen. Someone says they are with the Sarpanch, and within a few minutes a bag full of cards arrives. Namrata reads out the names and hands them to the people—the first time, apparently, that they have seen the cards.

Namrata starts asking questions about hours, wages, migration, alternative work in the towns. She translates for us, along with Disha workers, who continue to impress me with the trust and regard they enjoy from the tribals. The cards show considerable variations in payment for seemingly similar work. Not much imagination needed to guess what has been happening. Per the regulations, the payment is not per hour, but by piece work—digging a ditch of specified dimensions. (Not for the first time in the last five years, I think that Gary, Nancy and I should examine more closely the implications of piece rate minimum wages in the research we are doing). A group of young men joins us, and begin to take the lead in answering questions. They migrate to towns for construction work, they specialize in behind steel bars, for which the pay is higher than for regular construction work (like headloading materials or breaking rocks) that women do. The general response is that if the pay for local work was somewhat higher, not as high as in the towns, they would not migrate. They all articulate the costs of migration, and these are underlined by Disha workers—children’s education suffers when women migrate and take children with them, immunization and health of children suffers when they are not in the village, since they are less likely to be appropriately registered in the towns for these facilities. These costs of migration have not really entered my head till now. Surely they must be counted in the ledger in any assessment.

The meeting is coming to an end. One of the young men has been answering Namrata’s (and our) questions. He is somewhat smartly dressed and coiffed in the manner of what he perceives to be Bollywood style (I think). He’s clearly impressed by Namrata’s handling of the whole meeting, from asking for the employment cards, to handing them out, to asking and fielding questions. I doubt that he has seen a woman play such a role before. As we finish, I can sense he wants to say something, to express his respect and admiration. He formulates what he wants to say for a while and, sitting there cross legged on the ground, he says (in English): “You are very beautiful.”

## **Technical**

After Gujarat we moved to Delhi, where we discussed our experiences with our host ladies and in the field visit, and took up a number of analytical issues. In the final session we all put forward a selection of “light bulb moments”, when something became clear (or clearer) to us. Here are three of my light bulb moments, or at least light bulb questions.

Migration. I have worked on migration for a long time. One of my first published papers was on rural-urban migration in India. My focus, and the focus of the literature pretty much, has been on individual or household choice behavior. Even here, I am now more

aware of some individual costs of migration associated with loss of eligibility for public services. This should be factored in to our migration analysis. But what really stood out for me this time, obvious though it should be, was the role of migration in holding wages down. Urban workers like our construction worker host lady Ushaben are themselves poor. Migration from rural areas threatens their wellbeing, and the situation can easily be turned ugly by enterprising politicians. Why should Ushaben pay the price for improving the wellbeing of migrants from Dahod? Is there any way in which this can be avoided (other than the panacea of fast, broad based growth, of course). I have worked with Nancy Chau on monopsony in local labor markets. What does migration of labor across different monopsony areas do to monopsony power? What happens when on top of monopsony (or, more accurately, oligopsony) in rural areas and in urban areas, and migration between them, the government introduces an employment guarantee in the rural area? There is a lot to be sorted out here, I think.

What is gained and what is lost by moving from a two-sector model of the economy to a (say) six-sector model of the economy? Nobody would of course deny that a six sector division can be a more accurate description of the reality on the ground. And nobody would deny that a one-to-one scale map is worse than useless, that we have to simplify. The issue then is really about tradeoffs in analytical and policy purchase. A persistent argument of the “non-mainstream economists” (if they will forgive me for referring to them like this) in our group has been that the two sector cut misses some vital things and leads away from key policy issues. I have not been clear as to what exactly is lost, since my theorists instincts are to wield Occam’s razor and slash away features of a model that are superfluous to the main argument. I think I can now see what they are saying, although more dialogue will be needed to clarify, and to convince. The two sector formulation naturally leads one into a macrolevel narrative of the development process, with a greater level on the macrolevel trends and policy tools. In the division into a formal/advanced/good jobs sector and an informal/backward/bad jobs sector, one seems to be pulled into expanding the first and pulling people in from the second as the basis of development and poverty reduction. This doesn’t have to be, but it seems to happen nevertheless. A six sector division, into formal wage/informal wage/informal employer/own account work/etc/etc, is cumbersome for a simple macro narrative. I understood for the first time (I think), that what is cumbersome for the theorist is part of the benefit for the discourse. It forces one to discuss, for example, policy tools that are differentiated between home based workers and those who work in factories but with no social protection. The detailed structure leads one into a policy discourse that one would not have been led into before.

Finally, I have always been puzzled by what I saw as being knee-jerk criticisms of individual choice models. I saw these as not being au fait with recent developments in intrahousehold economics where, certainly at the research frontier, the “unitary” model has been replaced by one where there is bargaining as well as cooperation. The focus the frontier is on models of “cooperative conflict”, to use Sen’s felicitous phrase. What I got from the discussion this time was that there are three elements of the criticisms of “standard” neo-classical household model. First, is the locus of decision making. As is said above, this is already far advanced in economics—what we need are not models of individuals, or models of a household acting as an individual, but models of individuals

within a household interacting with each other through “cooperative conflict”. Second is the idea that what the household does is to manage a portfolio, of assets, of employment, etc. I understood this for the first time as an element of the critique, but am comforted that portfolio approaches come quite naturally to main stream economists, and indeed many of their household models are indeed of this type. So there is scope for dialogue. The third element of criticism is, I believe, the notion that the household optimization in reality embodies, respects, and is constrained by social norms. Economists are generally weak on social norms, but recent research has again at least opened up the area, so there is scope for enhanced dialogue.

**Francie Lund**



## Exposure Dialogue Programme, India, March 2008

### Reflections from Francie Lund

I could not attend the Ahmedabad part of the EDP, so to my great sadness missed meeting Leelaben Patni and her family again. Marty gave a very moving account of Leelaben's difficulties and sadness of the last two years. The family events are impacting on her present business, and on the dreams she had of her plans and dreams for the future.

My reflections below are based on the Delhi part of the 2008 EDP: on feedback from the group about meeting with the 2004 hosts in Ahmedabad, the field trip to a site of the National Rural Employment Guarantee Act (NREGA) public works scheme, and on the discussions arising from the presentations in Delhi on NREGA and on the Planning Commission.

#### 1. Employment and public works programmes

I found it very useful to compare the India public works scheme with activities around public works in South Africa. The comparison is worthwhile because it addresses the different focuses of different approaches ('real' employment opportunities versus no-future employment); and the gendered issue of types of assets that are the targets of programmes.

A problem with providing support to informal workers is that state and private sector programmes do not reach the very, very small enterprises in which informal workers (whether self employed or waged) are active, and it is in fact difficult to know how to provide such support. Public works programmes, on the other hand, are not usually creators of sustained employment, or of human capital formation. They do not usually do the following things that one might associate with 'decent work':

- Create individual assets – though they do or may create and maintain public ones
- Build education and skills
- Add to human status and dignity - and they may even erode this
- Increase the bargaining power of people who work on the programmes

India's NREGA is a classic public works programme, in its focus on building or maintaining public goods such as roads, though in a qualified way it allows asset-building and maintenance on private land. It is very unusual in being nationally legislated, with a minimum of working days being *guaranteed* as a right in law – in this case, one hundred days a year to a household. It is unusual also in having some guaranteed social services, such as child care services, and some rudimentary health and safety guarantees.

Public works in South Africa has been partly a response to the crisis of employment, familiar to all in the EDP. In the early 1990s, in the tripartite planning for public works, the trade union congress COSATU set a number of (reasonable) conditions: a) there had to be a skills-building component; b) public works could not be put forward as a 'solution' to the employment problem, or as an alternative to 'real employment'; and c) that the public works would not be used to interfere with wage-setting mechanisms already in place. Much of the planning and the agreements fell apart in or just disappeared in the overall negotiations for transition to democracy.

Public works in South Africa had been an important feature of programmes to bolster the poor white population the 1930s and 1940s. Resurrected again during the later 1980s, the focus was on the classic activities of road maintenance, rail maintenance, and the clearing of ‘invasive aliens’ (vegetation, not people). In the late 1990s, the ANC government put more energy into public works initiatives, specifically in response to the failure of GEAR successfully to address the unemployment problem. In 2004 the Expanded Public Works Programme (EPWP) was announced, with four clusters, one of which was ‘social’, and included two parts – the Early Childhood Development (ECD) and the Home-Based Care (HBC) programmes. Both of the latter are set in the context of the catastrophic AIDS epidemic; the HBC in particular anticipates the crisis of care as so many people need to be cared for, and cannot be care for in formal health facilities.

There is much policy confusion on the ground around these programmes, and official data are highly unreliable – different provinces count ‘placements’ in different ways, for example. I am not even sure that the ECD programme should be called a public works programme – rather it could be called an employment opportunities programme. But the principles and modus operandi generate interesting comparative questions for the NREGA in India.

In the EPWP-ECD programme, the South African government uses its existing vocation-oriented training and accreditation institutions. It finds NGOs and CBOs active in the ECD field, running crèches, and puts a subsidy for internships in those organizations. No further employment is guaranteed. These subsidized placements are used as an incentive to NGOs to come together and organize differently to provide training, supervision and engage in accreditation procedures. In the HBC programme, applicants are trained to go around the community giving care training and support to family members who are caring for ill members (and the focus is on those with AIDS). Some monetary support was expected to come from community groups; there is now talk of a stipend being given.

The NREGA schemes, even early on, have already provided millions of days of ‘work’ to very poor people. The EPWP-ECD is focused on skills training and accreditation, for a much more limited number of people. The EPWP-HBC is not really employment-creation as such – but the training that participants go through may equip them to seek out other employment, as domestic workers, or health assistants.

With regard to *targeting*: We were told that NREGA successfully includes poor groups, such as scheduled castes, scheduled tribes, and successfully includes women. The EPWP programmes as a whole are well-targeted for women (and Zibambele, the provincial KwaZulu-Natal road maintenance programme consciously targets women, and about 95 percent of participants are women). Both the EPWP-HBC and EPWP-ECD programmes have a huge majority of women participants; in both, and especially in ECD, they are excluding *poorer* women because of high entry and training requirements.

With regard to *human capital and skills formation*: We did not hear that NREGA programmes had any emphasis on skills training. In South Africa, some NGO public works programmes (such as the road programme run by Valley Trust outside Durban) factored in a skills-building component, but it was a very small programme. The current EPWP-HBC is about training a cadre of women to go and provide training to family members already engaged in care. Anecdotally, one hears that women doing the training (to become trainers of others) are finding jobs on the open market. The ECD programme takes younger and

better educated brighter women, excluding the older and maturer unpaid volunteers, with the danger of course that this will erode some of the motivation for volunteering.

**A policy conundrum – targeting and disability quotas in the South African Public Works Programmes**

In South Africa, people with disabilities (PWDs) are eligible for the Disability Grant (DG), presently set at about R900 a month, in cash, reviewed every two or three years, and currently paid to some 1.4 million people. If you ‘fall off’ the DG system, either through review, or through administrative error, it is very difficult to get back on again, and this is widely known.

Most people with disabilities say they would rather have decent jobs than be in receipt of the DG. Many people with disabilities supplement their DG with poorly paid work.

The South African public works programmes have specified quotas for allocation of places to categories of ‘vulnerable groups’ such as women and youth; people with disabilities are allocated 2 percent.

The Expanded Public Works Programme (EPWP) has a quota for PWDs. The placement on the EPWP is for a maximum of two years. An applicant may not both have a place on the EPWP, and receive a DG. The level of payment of the EPWP placements is well below the level of the DG.

Any right-thinking person/ utility maximiser who gets a DG will either have to be convinced that the skills learned on the two years working for the EPWP will concretely improve their chances of getting a job after the EPWP (in which case they are not right-thinking); or they will not apply for the EPWP at all, as then they will lose their DG, and possibly never get it back. And so it is heard once again that ‘people with disabilities are dependent on grants; the grant are creating a culture of dependency’, all the familiar anti-welfare discourse of Thatcher, Clinton, and those before and since.

With regard to *bargaining power and organizing*: NREGA – Paulomee of DISHA NGO described how NREGA workers were organizing into a union, the first time I have heard of public works participants organizing *as workers*. Their demands were largely for the implementation of things they are entitled to in law, such as getting the wages, and on-site provision of child care.

The EPWP-ECD holds the possibility of new numbers of people (especially women) getting access to training and accreditation in a sector for which there is strong popular demand, and where there is ample evidence of the ability of community groups to organize services. What the presence of many more trained people will do to the cost of ECD services is not clear. The EPWP-HBC might, from a negative view, simply be a new way of trapping women into doing even further unpaid care work, subsidizing the lack of commitment to government funding of community-based health services.

In concluding this section, towards the end of the EDP dialogue we were beginning to pose ‘either/ or’s’ in a way that is quite misleading, I think. We should not be posing cash transfers *versus* employment creation. There is no evidence that money *not* spent on cash transfers would successfully be spent on employment creation or indeed lead to better economic growth. There is much evidence of the relationship between pension money and job seeking, purchase of agricultural inputs; purchase of health and education which in their turn lead to employment opportunities. In countries where there is really limited money for health and education, and where there is a strong agricultural base, there would be a much more difficult policy choice – money spent in the present on health and education, for girls and for boys, might have fairly short-term gains in employment-creation and asset creation.

## **2. Urban and economic policies - The intersection of economic and of urban policies and planning, and the scale of cities, policy and governance**

In the governance of the informal economy, we are inclined to consider national-level policies, and this is too restricting *vertically* – we need to supplement it with other levels of government, such as provincial and local. We have also noted that the field of conventional labour regulation is too *narrow* in its scope to cover the informal economy and sector. We have noted that other regulations determine economic opportunities for and working conditions of informal workers, and their ability to express voice/ bargain over working conditions, and participate as citizens. We need to think more multi-sectorally and *horizontally*.

The growth of mega-cities was mentioned as a major theme in discussions with the host ladies. WIEGO knows that it is the local level of government that significantly affects working conditions of informal workers. Given the growth of mega-cities, then, what is the appropriate level of policy intervention? There is obviously no blueprint answer. In some countries such as China a few large cities (for example Beijing and Shanghai) have the same status as provinces. In South Africa, the large cities have been designated metropolitan status, and have a number of sub-units (in different countries these might be called wards or boroughs).

Durban is one such metropolitan area, and it has six ‘sub-structures’ as we call them. At the transition, local government was given the mandate to do local economic development and to develop ‘pro-poor’ policies, and to do consultative processes. Metropolitan Durban (eThekweni) had moved the informal economy into Economic Development; the city center was the place that worried most officials and most politicians, partly as it had the most, and the most visible, numbers of street traders. We worked with the two central and most powerful sub-structures, hoped to get a policy through at this level, and then that it would percolate downwards and outwards to other sub-structures. We

consciously focused on street traders in the CBD – and incorporated the needs of homebased workers, and more outlying wards.

At the Delhi dialogue I wondered further about this. One extreme approach is that of the private global firm Monitor, with its blueprint for the economic development of cities (which they protest is not a blueprint). They assume the entry point is the metro, city-wide level, with a top down approach from there. At the other extreme would be the development of an informal economy policy at a very decentralized sub-structure level, with no city-wide enabling and institutional framework, and too much discretionary power over diverse regulations at very local level.

It would be good to explore, further, policy experience in precisely this area – in very large cities, at the intersection of governance and enterprise support, and the intersection residential and economic land use.

### **3. An institutional issue**

When dealing with policy reform, we easily say that there is a need for an enabling legislative and institutional environment for implementation. In discussing NREGA, a number of people (including Santosh Mehrotra) said how the introduction of the new policy and the timeframe in which it has to be implemented is stretching institutional capacity to the limit. This issue goes well beyond public works programmes. In the South African context, we know that the rapid introduction of the child support grant has meant the displacing of other applications for other grants. In the African context Stephen Devereux has expressed concern about the unintended institutional side effects of the introduction of cash transfers in a number of countries. One of the chief rationales for cash transfers is that they should be able to supplement other programmes such as food security, nutrition, agricultural inputs. But the introduction of cash transfers takes up institutional space, and can detract from the efficacy of these other complementary programmes, that are also intended to have a developmental effect.

### **4. Informalisation – my main light bulb**

As much as I have read on the process of informalisation, I had never quite got the following two points before, though they were clearly evident to many others! There is much debate about ‘choice’ in terms of people taking up or leaving informal work. First, some hold that changes in the labour regime ‘cause’ informality. But some involved in the EDP confidently said that informalisation happens even when there is no change in labour regime – it does not happen in response to labour regulation changes. Second, when formal jobs get informalised, a key feature is that social benefits are lost – worker compensation, access to health insurance, and to retirement funds. Rational people would not make this choice of moving into worse working conditions. I don’t know why I had not twigged this before.

My most sincere thanks to SEWA, WIEGO and to Ravi’s programme at Cornell which has made this extraordinarily enriching initiative possible.

Francie Lund, Durban, April 15<sup>th</sup> 2008

**Jeemol Unni**

**EDP India March 08**  
**Dohiben, Embroidery Worker**

**Personal Notes**

**Jeemol Unni**

So in March 2008 we met Dohiben after a gap of four years. She had not changed. Same old wrinkled face with an exceptionally agile body and active mind. While most of the other EDP host ladies appeared not to have done very well in these four years, Dohiben was an exception. As described in the note on our last visit to her home in Jakotra village in Patan Taluka, Dohiben had been busy setting up a value chain in garment production with the help of SEWA. In spite of all the troubles she and her village had over the last few years, which I shall describe later, Dohiben's dream had been fulfilled and she had actually moved one step ahead in the value chain. Dohiben was no longer only an embroidery worker, she was a subcontractor and her job now was to collect the work of embroidery and contract it out to other women in the village for a commission of Rs.10 per piece. In fact, her daughter-in-law now did the embroidery work and Dohiben supervised the work of all the women in the area, rejecting bad quality work and seeing to it that the quality of work improved among the workers. She and all the embroidery workers were now shareholders in the new company, Unnat Bazaar, a Section 25 Company under the Company's Act. The embroidery workers did embroidery work on kurtas, kurtis, shirts, saree, bedsheets, dupattas, that were stitched in their factory at Saraspur in Ahmedabad and these goods were sold in SEWA's shops in Ahmedabad and Delhi and also to foreign markets. The skills of the workers had improved considerably with training and the women were now able to work on more delicate fabric such as tussar silk and muslin, whereas earlier they only embroidered on the rough and thick cotton cloth.

Her personal life at home had also improved, with her son now working with a machine in construction work, having learned from a friend, earning Rs.5000 a month. She was also blessed with a grandchild 6 months of age. The water situation had also improved with the new house having a community rain water harvesting system which helped them with drinking and water for other uses even during the summer months.

The sad story that was enacted in their lives was part of the harassment faced by SEWA at the hands of the Government of Gujarat. The Jeevika livelihoods project that SEWA had begun in cooperation with the Government after the earthquake of 2001 went sour for no fault of the women members like Dohiben. The women had spent two years and worked out a micro plan for the village including even the poorest members, watershed work was begun, but the government began to question the accounts done by the village folks and also objected to the inclusion on all communities. Further the village official who SEWA worked with, TDO, BDO and Talati, were harassed.

The women in these villages had already done a lot of work for the original Jeevika project but were not paid for it. The women decided to protest. After government audit and much protest for nine months in three districts, the payments were made for the work done by the

women in embroidery, agriculture, watershed, drinking water tank, Bal and Arogya SEWA. The wages were paid partly in cash and partly in rice, wheat and dal. While the women in these villages suffered for lack of payment, SEWA members from the unaffected district of Anand and other districts sent food grains in solidarity.

The strength of the organization of SEWA is brought out by these incidents. SEWA decided to give up the Jeevika project. A new project Sah-Jeevika was started by SEWA with loans obtained from Bank of Baroda and SEWA Bank. SEWA retained its organisation and its membership grew. Sah-Jeevika project retained the Mandals created by the old project. The garment park built in Radhanpur for the garment value chain activity with Rs.4.5 million loan taken from the government was almost gone. But the women had invested a lot of labour on it and were not willing to give it up so easily. They returned the money to the government and retained the garment park. The Unnat Bazaar company had to take a loan of Rs.30 million at 9.5 percent interest to continue the garment value chain activity.

Globalisation has brought up new challenges for the women. While it brought new opportunities and markets, the challenge was to keep abreast with the new fashions, designs, quality and variety required. The garment industry and embroidery work also faced the challenge of competition from machine work versus the hand work done by them. Further, the challenges of fighting the system were also part of the daily life of Dohiben and her colleagues. All this was possible because of the courage and dedication of a few leaders like Dohiben who were able to retain their faith in the organization and convince others of the need for it.

Dohiben and her members learned two lessons from these few difficult years. These were the need for capital to undertake large scale work and the strength of organization. The need to scale up economic activities in order to survive in globalizing India was clearly understood by Dohiben. Scaling up however required capital among other things. As she said to borrow at high rates of interest and undertake risk is a difficult job. The issue of scaling up and the limits to it for an organization like SEWA were brought up later during the EDP discussions in Delhi.

SEWA, the federations of embroidery workers and Unnat Bazaar were all examples stated by Dohiben of the strength of organization. I was truly amazed, being aware of the all the troubles SEWA faced in Jakotra and Patan Taluka where Dohiben lived, I had certainly not expected the garment value chain and the embroidery work of these women to survive during these years. Hats off to Dohiben and her colleagues at SEWA and Unnat Bazaar for their courage and perseverance!!

So I came away truly rejuvenated after my meeting with Dohiben and hope that Kaushik did too. What was most charming about Dohiben was the simplicity and affection with which she met us and the blessings she showered on me when we parted. I look forward to meeting her again.



**EDP India March 08  
Technical Notes**

**Jeemol Unni**

In earlier EDPs we have had discussions on how self-employed workers and home workers figure in labour market theory. One of the issues for discussions at the EDP in Delhi was on own account workers (OAW) and how they are treated in theory and policy. In India and many Asian countries this is important because they constitute nearly one third or more of the workforce. I highlight below some of the points brought up in the discussion.

● ***Difference Between Establishments and Own Account Enterprises (OAE) among Informal Enterprises***

OAE are operated by OAW, either alone or with the help of family labour, while establishments are operated by employers with the help of at least one regular hired worker. The scale of operation is very small among OAE compared to the establishments. OAE operates with very little capital, or low value of assets resulting in low productivity and incomes per worker.

● **Are own account workers really entrepreneurs taking economic risk & receiving profits in return?**

With such small scale of operation the value addition per worker received by OAW is often only equal to the value of labour used in the production process or service. If so, are these OAE entrepreneurial activities, or should OAW be treated as a worker rather than as an enterprise?

● ***OAW and OAE are part of household labour market strategies of survival***

OAE are self governed activities in order to maintain survival incomes. It engages family and child labour to maximize incomes rather than profits. These economic activities could be treated as coping strategies engaged by households, often leading to self-exploitation. Some such labour market strategies are to maximize number of workers per household, maximize number of activities per worker, maximize number of hours of work per day and engage unpaid family labour and children in the economic activity.

● **Is there any advantage in treating household as a unit of analysis for modeling economic behaviour of OAE??**

As described above the OAE engage household strategies to maximize incomes. OAE within the household exist due to household decisions with regard to who should work, including what type of work, whether to study or migrate.

Standard economic theory assumes that OAW and wage work are substitutes in the theory of wage determination. While OAW may be like a wage worker as described

above, they are not perfect substitutes due to various differences in initial endowments. The decision to participate in OAW may be dependent on small investments in capital/land and not based on the market wage (as in the case of wage worker). Or it may depend on the availability of complementary inputs (bamboo) or technology (sewing machine) and/or on endowments of skills in particular economic activities. Standard theory also assumes perfect ease of entry to wage labour market while in reality OAW may be constrained by class, caste, religion, gender and OAE by interlocking of price and non-price factors across markets, e.g. land, credit.

Given this dual characteristic of OAW and OAE, being either a worker or an enterprise, it may be useful for economic theory to treat their existence and choice within a household model. The advantage of a household model will be to provide flexibility in considering the choice of both OAW and OAE simultaneously within a household, OAW as a perfect substitute of wage work, and OAE as dependent on other endowments and constraints faced by the household.

**● The state balances choice of efficiency versus equity and generally economic policy chooses efficiency as indicated by economic theory.**

OAE with the very low productivity and incomes per worker are treated as inefficient units in the economy. Hence if an OAE dies or closes down, it is considered efficient in theory (closure of small enterprises) and consequently in policy.

Economic policy is not concerned with the consequences of such closure of OAEs on the economics of the household, unless it becomes an economy wide phenomenon as the farmer's suicides in recent years (seen as the closure of small and micro farms). Policy treats OAE either as a worker or as an enterprise and fails to see the connection between the worker and the enterprise (Fuzziness of Concepts) in the survival strategy of the households. If economic policy were more concerned with equity rather than efficiency, the survival of OAE would be of greater concern. An important policy issue for OAE would be how to scale up its economic activity which is definitely not possible without policy support.

Would Household Model help question the Efficiency Model of economic theory that influences policy decisions?????????

So one of the issues flagged by our EDPs for theory and policy I hope is whether treating OAW and OAE as part of a household model or strategy would be more useful for better understanding and responding to the needs of these workers/enterprises.

**Imraan Valodia**

It only gets harder. Or does it?  
Personal Reflections on meeting Ushabhen

I was eagerly anticipating an update on the life of Ushabhen – the construction worker that I met on the EDP in Ahmedabad four years ago. Then, living in the Sabarmathi area of Ahmedabad in a cowshed that had been converted into a house, she was an unskilled construction worker who, when she found work, earned somewhere between Rs50-60 per day. I was eager also to find out about her family – especially her daughter Shaya. Four years ago, Shaya was engaged to me married as soon as Ushabhen and her husband, Jeevanbhai, could accumulate the resources necessary for dowry and wedding expenses. I was eager too to hear about Ushabhen's work. Surely the close on 10% economic growth per annum for 4 years, and the boom in the construction industry would mean a significant improvement in the lives of Ushabhen and her family.

Indeed, Ushabhen's wages had increased to Rs. 120 per day – double what it was four years ago. However, she and Jeevanbhai were now finding it increasingly difficult to find work at that rate. Although the unions had agreed to keep the wage at Rs.120, and the legislated minimum wage was Rs. 90, migrants from the rural areas and from out of state, were working for Rs. 80 per day. So, the employers were employing the migrants and Ushabhen and her colleagues in SEWA now getting only about 10 days of work per month, less than was she was getting four years ago.

And her costs of subsistence had increased substantially. The price of wheat, oil and salt, the main items in her food basket, has risen respectively by 10 times, 3 times and 6 times. The cost of the family's basic subsistence requirements was now Rs. 70 per day.

So it seems, contrary to my expectations Ushabhen's life has become more difficult and more precarious, notwithstanding the economic boom that India has experienced over the last four years.

And, she is now severely in debt. The cost of Shaya's dowry and wedding expenses, and the costs of the ceremony to celebrate her pregnancy was financed through debt of approximately Rs. 100 000 – from the money lenders. This debt attracts interest of 5% per month!

So why has Ushabhen not benefited from India's outstanding economic growth?

Unfortunately, even though Ushabhen's livelihood is very precarious and her income extremely low, there are many others in India whose situation is worse than hers. The migrants from the rural areas and from out of state are one such group. And, unskilled construction work has virtually no barriers to entry so Ushabhen is likely to continue to face the threat of new entrants from India's lowest income states. We often think about this issue as a worker versus worker issue – depending on your perspective at the time as Ushabhen and her colleagues trying to keep out poorer migrant workers, or as migrant workers undermining Ushabhen and her colleagues hard fought gains. However, it's really

employers in the construction industry that exploit (super-exploit?) the vulnerability of the migrant workers.

Ushabhen and Ramillabhen (our facilitator) tell us about the problems with the Board for Construction Workers. The Board, established in terms of India's labour regulations, is meant to provide social security benefits to construction workers. The Board is funded by a tax (a cess) on wages and has collected some Rs. 60 crores – which lies unused. We learn that the Board is basically dysfunctional – it has no staff and the Labour Commissioner (the head of the Board) has not been appointed for some years now since the previous incumbent retired. So, while the law does provide for some mechanisms to alleviate the vulnerability and insecurity of Ushabhen's income, she has been let down by the bureaucracy which is unable to provide the services that she probably has a right to demand. We learn later that, in the state of Gujarat, the government may be actively not implementing the law – as a way to undermine the system.

And, of course, social norms take their toll on Ushabhen. The costs of Shaya's dowry, wedding and the impending childbirth have pushed the family substantially into debt. And the terms are highly exploitative. The gendered pattern to the inequalities also continues. When I last visited Ushabhen, Shaya, the oldest did not attend school so that she could take care of her younger siblings. Now, Shaya has left the household. Her younger sister is now no longer schooling – someone has to take care of the household chores. Women's work.

But it is not all bad news.

When I met Ushabhen she had just joined SEWA and was still a little unsure about it all. Now she is a leader. She recruits others and collects subscriptions from workers in the construction industry. She is the leader of SEWA at the *naka* – where construction workers offer their services to the employers. Ramillabhen tells me, “I can see the difference in her now ... she has responsibilities...and is concerned about other members. Sometimes these struggles become too much for her... but she has become strong”.

SEWA is organising construction workers into co-operatives and then tendering for the many public infrastructure investments in the rapidly growing Ahmedabad area. Perhaps that might offer some hope for Ushabhen to earn a steady and slightly more secure income.

We visited a NREGA site in the Punch Mahal (check), in the eastern part of Gujarat, in the Dahod district. We met the migrant workers who may be competing with Ushabhen at the *naka*. Here, the workers are able to earn about 20% of their annual subsistence needs through agriculture – on small plots that are owned by the individuals. But it is very dry out here and its very marginal agricultural lands so the workers have to migrate to Ahmedabad and most work in the construction sites. The men are skilled – iron benders – who, when they find the work are able to earn Rs120 per day. The women who migrate do unskilled construction work.

The NREGA project in this village is building (or improving) the village road. Beside the road we see very exact 2x1x1 holes – dug by the men employed in the NREGA. The holes

are dug in this exact, and it seems to me, impractical form because the NREGA rules specify a fixed payment for digging a specified hole. So now the village may have a better road but I wonder. Will it last the next monsoon rainfall? Do the holes not pose a danger to kids and the local's animals?

And how corrupt is the system. Clearly, judging by the fact that many of the workers have seen the job cards for the first time and the discrepancies in the wages paid, the levels of corruption may be high.

Notwithstanding these concerns I am impressed by the NREGA. This is income support on a grand scale indeed. And the workers like the fact that its work – not just a transfer. And, in the circumstances this does seem to be the most effective way to support rural incomes.

## Technical reflection

The meeting with Ushabhen and the visit to the NREGA site in Gujarat led to the following technical reflections:

### 1. Macro-Micro Linkages

As outlined in my personal reflection my presumption had been that, with the extraordinary growth that India had experienced over the four years since my visit to Ushabhen, her livelihood and her family's economic status must have improved. How do we explain the fact that 9-10% growth sometimes does not improve the lives of the poor?

Ravi Kanbur (2001) has written on this issue arguing that three factors may explain the supposed mismatch between "Finance Ministries" points of view about the impact of growth on the poor and that of 'on the ground' civil society activists, who often dispute the argument that growth is good for the poor. He explains this by different perspectives on time, aggregation, and views about market power.

Two further issues struck me about this debate.

First, related to the idea of differences in time perspectives it occurred to me that many of the poor, such as Ushabhen, are locked in to particular livelihood strategies. She and her family identified themselves very much as "construction workers" and neo-classical economists' view that people quickly adjust in response to changing incentives is, at best, a not useful assumption. However, many of our Hosts remarked that their daughters were unwilling to do their work and were instead pursuing other – possibly more lucrative but certainly less insecure – work options. So perhaps the daughters of our Hosts may well 'enjoy' some of the benefits of India's economic growth of the current decade. Thus, inter-generational time horizons are probably an important consideration.

Second, economists often use data that is the result of a massive averaging process. One such example relates to the consumer price index (cpi), which is often the basis for data adjustment for assessments about real economic changes over time. Our assumption, based on the increase in Ushabhen's wage over the four years and the cpi in India would be that Ushabhen's standard of living must have improved. Yet, assessments on these averages, even if we were to use the cpi for low-income groups, would be very misleading indeed. Ushabhen's 'basket' consists primarily of three goods - wheat, oil and salt. According to Ushabhen the prices of these goods have risen respectively by 10 times, 3 times and 6 times – way above any average price indicator that economists traditionally use. Even if she has overstated the changes the cpi is by no means an adequate deflator for price adjustments that she has experienced over the last four years.

## 2. Relationship between the individual and the state

We often think about the relationship between individuals and the state in a linear fashion – the state provides services which individuals consume, and the state raises taxes from individuals in exchange for these services. I recall, in particular, two comments from NREGA workers in the large meeting that was held at Limkheda, in the Dahod district of Gujarat which suggests that these notions of the relationship between the state and individuals needs to be nuanced.

Ravi Kanbur asked the question about whether the net transfer that was being made to the village (the wage times the number of workers employed on the NREGA) could be better spend i.e. could the villagers think of a more appropriate and effective way to spend the money (on, for example, education and health). This is a standard consideration in economics – is the programme efficient. The NREGA workers had very nuanced views of the State. For them, service provision such as health and education necessarily involved various levels of the State ‘taking its own slice’ of service provision. So, any cost-benefit analysis of different options for dealing with poverty alleviation needed to take account of the nature of the state and the manner in which policy will be implemented. These sorts of issues seldom reach the calculus of economics.

A second response was related to a suggestion that the Sarpanch accompany workers to the bank so that they could open accounts and this would allow the NREGA wages to be paid directly into the workers bank accounts, thus reducing the possibility of ‘leakages’. I was struck by the response: ‘No’, said one of the workers. He understood very well that the Sarpanch would expect some payment for this from the bank, which would then recover these costs from the workers. Again, economics seldom takes account of the complex and layered manner in which the poor relate to the State.

## 3. Public works vs. cash transfers in India and South Africa

There is a debate in the social policy literature about the efficacy of employment-based transfers, such as public works programmes and cash transfers. Some critics of the NREGA in India have highlighted the inefficiency of the NREGA and the opportunity costs associated with the NREGA, and have argued that it may be more effective for the state simply to transfer the cash to the poor (i.e. ‘just give them the money’).

In the South African debate, government has been critical of the proposal for a basic income grant, arguing that the poor do not want ‘handouts’ and raising the issue of dependence on the state. The South African government has instead decided to increase the reach of the public works programme. Ironically, in the South African case, the evidence that is available suggests that the cash transfers that currently exist (for example the old-age pensions) are very effective and well-



targeted and the public works programmes are at best, only effective in a limited sense.

I was particularly struck during our visit to the NREGA site about the dignity, from the workers perspective, about having earned the income. Actually ‘seeing’ this shifted my own thinking more in line with that of the South African government.

However, I think some useful lessons could be learned from the experiences of India and South Africa. In the Indian case, the economic problem that needs addressing is underemployment – open unemployment is very low and the issue is that the poor don’t have enough work and that their productivity is very low. In contrast, in South Africa the economic problem that needs to be addressed is open unemployment. Thus, in the Indian case, opportunity costs of the employment guarantee scheme are an issue (the poor could be doing other perhaps more productive activities if they state simply transferred the funds via a cash grant), whereas in South Africa entry into the labour market and some work experience, even in low-productivity jobs, is probably socially desirable. Thus, perhaps India needs to move toward cash transfer and South Africa should consider an employment guarantee scheme, where access to public works jobs is a right which citizens can demand of the state. Given high levels of organisation among South Africans, the poor can probably exercise this right (which did not seem to be exercised in the Indian setting).

Relatedly, the debate on cash transfer vs. public works is often seen in terms of what is a more effective mechanism for getting transfers to the poor, and around issues of dependency on the state. As the literature on the cash transfers in South Africa highlights, cash transfers are also effective mechanisms to create an employment. Thus, the important question is perhaps, which of the options generates the bigger employment spin-off? Reflecting on the experiences of India and South Africa I would suggest that the answer to the question is likely to be context specific.

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