Title: The Micro Political Economy of Gains by Unorganised Workers in India.


More details/abstract: This review of literature looks at the micro-political mechanisms through which unorganised labour makes gains in wages and conditions of work, in a context of real wage rises since about 2005 and the ubiquity of informal labour contracts. It examines the micro level impact of demand and supply factors, the pressures on employers to concede to demands and the various methods used by labour to push its positions.

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THE MICRO-POLITICAL-ECONOMY OF GAINS BY UNORGANISED WORKERS IN INDIA’S INFORMAL ECONOMY

Barbara Harriss-White with Valentina Prosperi

Granted that the era of globalised capital has not vanquished poverty or secured decent work conditions for the vast mass of workers\(^1\) the ‘perverse’ question for this essay is how un-unionised workers in the unorganised or informal economy improve their wages and other aspects of the terms and conditions of work.

Our starting point is that India’s informal economy is the actually existing form taken by contemporary capitalism. Informal work is not residual, it is the commonest kind; it is not the reserve army or a separate ‘needs economy’ with a non-accumulative logic,\(^2\) it is the real economy, it does not consist of ‘invisible others’\(^3\) – in (non-metropolitan) India it is impossible to avoid; nor are its actors forgotten - it is not so much marginalised by the state as it is the object of a mass of inadequate regulative interventions with incoherent and contradictory purposes.\(^4\) So far, the 21\(^{st}\) century has been marked by increasing informalisation, by serious and extensive deficits in decent work\(^5\) and by growing shares of the work force excluded from accumulation of any sort by relations of exploitation and/or exchange.\(^6\) Despite the growth of rights-based politics, formal access to social protection has atrophied\(^7\), income instability has flourished alongside an expansion of casual labour and distress-induced self-employment without access to any work rights – all indicators of deteriorating vulnerability at work. The first 21\(^{st}\) century decade has also witnessed the

\(^{1}\) Hensman, 2010
\(^{2}\) See Jan’s critique of Sanyal, 2007: Jan, 2012
\(^{3}\) Chakrabarti et al , 2008
\(^{4}\) Harriss-White, 2012
\(^{5}\) Kantor et al, 2006
\(^{6}\) Harriss-White, 2012
\(^{7}\) Sharma and Arora, no date
sporadic forced entry and participation of women engaged in smoothing and supplementing their incomes.\textsuperscript{8}

The political response to this vulnerability is widely taken to be the mobilisation and organisation of informal workers.\textsuperscript{9} Yet most labour experts reason that formal or organised labour is weak (evinced by a reduction in industrial disputes and the growing incidence of disputes confined to individual companies) that organised labour is unable to expand as a workers’ movement and that the working class ‘in itself’ is unable to act as a class ‘for itself’. In the informal economy, types of contract (regular versus casual) labour processes (subcontracting, outsourcing and homeworking), social stratification and discrimination (by locality, caste, ethnicity, religion, gender, age and health status) do not only structure the informal economy\textsuperscript{10} and differentiate returns to work, but they also make it extremely difficult to organise workers. Further, what Gooptu (2009) terms an individualistic ‘enterprise culture’ is seeping progressively into production relations in all sectors, further sapping collective political strength. For the vast mass of workers, the most that the literature acknowledges is acts of ‘everyday’ or ‘silent resistance’ for example through squatting for home plots\textsuperscript{11} – often distinguishing the politics of poverty outside work from the politics of work itself, while workers see such acts as a seamless part of their life-world.\textsuperscript{12} In the work place there are a few noted cases of the informal organisation of workers by sector and site (e.g. in the construction sector, coastal fishing and beedi wrapping) together with SEWA’s achievement in organising 1 million self-employed women.\textsuperscript{13} Even then, the point is often made that ‘informally organised’ workers struggle for welfare rights rather than work rights and against the state rather than against employers.\textsuperscript{14}

Yet of late, in particular since the round of NSSO data gathering in 2005, wages for both regular and casual employment in the informal economy and real wages (adjusted for price inflation) appear to have bottomed out and started to

\textsuperscript{8} Corbridge, Harriss and Jeffrey, forthcoming
\textsuperscript{9} see Bhalla, 1999
\textsuperscript{10} The informal economy is termed ‘unorganised’ in India but it would be incorrect to argue that it is either chaotic or disorganised – quite the opposite (Harriss-White, 2003).
\textsuperscript{11} In the case of Dharavi slum, in Mumbai, see Mukhija, 2003
\textsuperscript{12} Gooptu, 2001
\textsuperscript{13} Jhabvala and Subramaniam, 2000
\textsuperscript{14} see Vijayabaskar, 2011; Lerche, 2010
increase, though until recently and through most of India their growth rates were far below the rate of growth of GDP.\textsuperscript{15} Between 2005-10, the number of openly unemployed people declined;\textsuperscript{16} real ‘All-India’ average wages for casual agricultural labour were on an upward trend\textsuperscript{17}; those of women increasing by 14.6\% in real terms and men at 7\% between 2005-10.\textsuperscript{18} And, with expenditure regarded as a more reliable indicator of poverty than income, the consumption expenditure of the bottom quintile (20\%) was also found to have increased over this period.\textsuperscript{19} When inflation is high and rising, then nominal rates of wage increases will appear to be dramatic. While the distributive share between wages and profit continues to be adverse to labour\textsuperscript{20} and while the All India average is known to hide significant regional differences in levels and trends, the paradox of increasing vulnerability alongside increasing real wages prompts us to seek to understand how \textit{vulnerable, un-unionised workers make gains at work in the informal economy.} The question is not confined to academic interest but is of some practical relevance to labour organisations, possibly to employers and certainly to informal workers themselves.

\textit{Method:} Beyond the abstractions of labour supply facing greater demand, however, and beyond the impact of state interventions on raising the reservation floor for wages, there is no theory, even of an institutional kind, to guide the search for answers. We therefore examine these conventional approaches first; and then turn to summarise a scoping review of the Indian literature on the political economy, institutions and practices of informal labour gains.\textsuperscript{21}

\textit{Macro-level explanations of gains by informal labour:}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{15} Chakravarty, 2011; Kar 2011; Gulati and Jena, 2012
\item \textsuperscript{16} Ray, 2011
\item \textsuperscript{17} According to the NCEUS, 2008, they had increased from Rs 34 per day in 1993-4 to Rs 43in 2004-5.
\item \textsuperscript{18} Gulati and Jena , 2012
\item \textsuperscript{19} Nathan and Sarkar, 2012. It has subsequently dipped to a 7 year low in 2012
\item http://india.nydailynews.com/newsarticle/50215dbbc3d4ca5129000005/india-consumer-spending-weakest-in-seven-years-as-slowdown-bites
\item \textsuperscript{20} Allirajan, 2013
\item \textsuperscript{21} See Prosperi, 2010 and forthcoming for analyses in the construction industry, garments and textiles, food processing and agriculture..
\end{itemize}
\end{footnotesize}
1. Markets: demand for labour. Where the non-farm economy has flourished (as in Northern Tamil Nadu)\textsuperscript{22} and/or sectors are booming (notably in construction throughout India)\textsuperscript{23} and/or demand for specific skills rises (e.g. in the handloom silk industry in South India),\textsuperscript{24} and where transport and communications infrastructure has reduced the transactions costs of work and widened local fields of labour supply through commuting,\textsuperscript{25} real wage gains to labour have been recorded. But the literature is content to stay at the level of description; it does not account for the means whereby these real wage increases have been gained.

2. The state and supply. While the ILO caught the world’s attention by developing the concept of Decent Work – involving rights to work, at work, to labour organisation (or ‘dialogue’) and to social security, far less attention has been paid to forms of political mobilisation which could actually secure Decent Work rights. In India in late 2005 a significant concession was secured through an employment guarantee that grants 100 days of work (in practice about half that) to all self-selected work-seekers at levels of pay at or above the local minimum wage.\textsuperscript{26} If confined to the rural slack season this intervention has income smoothing effects. When clashing with peak agricultural demand, by being an alternative it has the potential to set a wage floor. There is sharp and inconclusive debate over the varied local effects of the employment guarantee. At less than 1% GDP it can hardly drive national wage-rate gains. Gaiha records supportive effects on slack season agricultural wages.\textsuperscript{27} In three states of India studied by Reddy and Upendranadh (2009) there was significant female participation on the NREGA when due process was fair and ‘minimum wages’ on the scheme exceeded agricultural wages.\textsuperscript{28} In rural Tamil Nadu, Heyer has observed employers’ willingness to follow the rises in NREGA rates under conditions when not matching NREGA pay affects the supply of labour.\textsuperscript{29}

The employment guarantee can be seen as a component of a slowly emerging and fragile welfare state. The PDS is the oldest and central element of this bundle of policies – developing from 1965 and actually strengthening its

\textsuperscript{22} Harriss-White and Janakarajan, 2004
\textsuperscript{23} Prosperi, forthcoming
\textsuperscript{24} Roman, 2008
\textsuperscript{25} Carswell and de Neve 2013
\textsuperscript{26} Reddy and Upendranadh, 2009
\textsuperscript{27} Gaiha, 1997
\textsuperscript{28} Reddy et al, 2010
\textsuperscript{29} Judith Heyer, Pers Comm, 2012
performance in the current era - amid criticism and proposals for alternatives.\textsuperscript{30} A national social assistance programme was put before parliament in 1995.\textsuperscript{31} Social security bills for informal workers were placed in the Lok Sabha (Parliament) in 2008; a (much debated) food security bill in 2012 and there is expert as well as public mobilisation for wide reforms to health and education. Threatened by the policy turn towards cash transfers and vulnerable to the health of the budget, this skeletal welfare state aims to improve conditions \textit{outside} work and compensate those incapable of working.

Its impact on wages and working conditions in the informal economy is thought to be traced indirectly - first through expanding the capacity of workers to withdraw from the most degrading and oppressive conditions of work to devote time to other aspects of domestic work, to themselves, child-care\textsuperscript{32} or education\textsuperscript{33} and second through notable improvements in the respect paid to labour through the language and idioms of work.\textsuperscript{34} At the same time, in failing to address work conditions and focussing on welfare outside work, this suite of interventions does nothing if not legitimate informal labour. \textit{One hypothesis needing further exploration across the federation of Indian states is that the extent to which the state assumes the role of patron and develops a welfare state is related positively to gains in informal sector wages.} \textsuperscript{35}

These state welfare rights are being secured in a vulnerable and drawn-out process involving civil society movements and academic activism together with left party pressure whenever this is politically possible. They have not been secured directly by informal workers themselves. And both the political and the analytical framing of gains is confined to the wage level – no other aspect of work is well addressed.

\textit{So the macro-level literature shows that the question of the tactics and institutions through which gains are secured belongs to the category of a general question that requires micro-level and detailed, context-rich research for its answers.}

\begin{itemize}
\item \textsuperscript{30} Khere, 2011
\item \textsuperscript{31} Justino, 2003
\item \textsuperscript{32} Heyer, 2011, a and b
\item \textsuperscript{33} V Prosperi, forthcoming.
\item \textsuperscript{34} Judith Heyer, Personal Communication, 2012
\item \textsuperscript{35} Harriss-White, 2010, reviewed literature to argue the reverse however – that even in the informal economy, work status had a major impact on access to social security.
\end{itemize}
Micro level explanations: Moving beyond descriptions of levels and trends, demand and supply, we first examine explanations involving action by employers before turning to employees.

Employers

1. Trusteeship – Corporate Social Responsibility (CSR). Pressurised by campaigns on the part of consumers and civil society representatives, highly selective and limited improvements in labour standards have been imposed on informal producers by registered global companies under ‘CSR’ (Ruthven, 2008). Case studies document elaborate evasive tactics as well as strategically selective success. In the case of IKEA for example, gains have been made in health and safety and in environmental standards. But the IKEA work-forces’ own demands reflect different priorities (e.g. lack of over-time pay and undercutting by contract labour) and these have not been addressed under CSR. Rights to organise have not been honoured, nor has social discrimination in the workplace been countered.

2. Commodity Price Trends. In the agricultural sector, higher agricultural product prices, when not matched by higher bio-chemo-mechanical inputs prices, have been found to enable higher agricultural wages to be conceded, irrespective of the effects of the Employment Guarantee Scheme and the real wage effects on net consumers.

3. New technologies. Where a new technology enhances net labour demand (as has happened in the case of Bt cotton), other things being equal, agricultural wages have also been found to have risen.

4. Patronage and Paternalism; the Roles of Labour Contractors and Gang-masters. Increasingly daily wages are being replaced by piece rates and, though the practice is still not widespread, farmers’ own searches for labour are being outsourced to labour contractors. There is a growing literature on the hold of contractors over agricultural –especially migrant – labour but labour contractors are now spreading through the informal economy. In a case from the

36 Samy and Vijayabaskar, 2006
37 Prosperi, 2010; forthcoming
38 Rao, 2011
39 Subramaniam and Qaim, 2010
40 See Breman et al, 2009
construction industry, Prosperi found contractors able to discriminate in wages between individual gang members, based on personal relations of loyalty, reliability and trust. With power to divide the work force, they may concede gains to individuals at the expense of the collective. Some gang labour has been found to be seasonally bonded. Gang-masters may also organise housing, food, health care and communication for groups of migrant labour, though this is certainly not a common occurrence.\(^{41}\) The extent to which they mediate claims with employers on behalf of labour awaits a dedicated study of contractors.

The body of evidence about employers’ actions invokes cause and effect, mostly by inference. Gains to labour are not conceived as a micro-political struggle.

**Employees:**

1. **Assets and the Role of Self Employment.** In a closely observed case study of women’s work in rural Andhra Pradesh, Garikipati shows that the ownership of assets relates to stronger bargaining power. She argues that this results from self-employment’s being an alternative to wage work. Indeed experts on labour often see self-employment as ‘good quality work’ \(^{42}\) since the distribution of earnings from self-employment has a higher and longer right-handed tail than that from wage work and since ‘autonomy’ is found to be a valued attribute of work.\(^ {43}\) The ‘shift to self-employment’ is conceived as a gain in work quality rather than as a form of production or trade generating an opportunity to accumulate.

In fact, while it is true that self-employment is now the commonest form of work in India accounting for 53% of the workforce,\(^ {44}\) much evidence shows it to be propelled by the compulsions of poverty rather than entrepreneurial prospects for accumulation. Self-employment may be understood as self-exploitation, or undertaken part-time or in slack seasonal employment troughs. Or it is the preserve of women returned to home working after a period (1999-

\(^{41}\) Harriss-White, 2010; Picherit, 2009  
\(^{42}\) Sundaram, 2007  
\(^{43}\) ,Ruthven, 2008; see also Chandrasekhar and Ghosh, 2007  
\(^{44}\) This is driven by the agricultural sector and varies greatly within the non-agricultural economy. See references in Harriss-White, 2012
2005 judging by the labour statistics) spent in wage work as a result of agricultural distress.45

It is a matter of some importance that self-employment is classified by labour economists and lawyers alike as ‘disguised wage labour’ because with no consensus on its terminology, self-employment/petty production/own account enterprise/ micro-enterprise/cottage industry/ the tiny sector etc is consensually interpreted as a positive shift in the terms, conditions and returns to labour.

In fact, there is a continuum of forms of self-employment from hardly disguised wage work to complete autonomy. Its distinctiveness takes several forms: first, while labour is exploited on labour markets, self-employed workers can be exploited on (rental) markets for property, raw materials, money and finished products – they may shift the balance of power towards them in exchange relations on four markets (contracts may shift adversely too). Second, self-employed people can operate a distinctive logic of super-exploitation or super-efficiency in which production is maximised rather than (marginal) productivity (in which improvements would be indicated, perversely, by reductions in production). Third, exchange relations contrive to prevent accumulation and self-employment expands instead by multiplication; so the question whether an expansion in self-employment is an indication of social gains to labour or rather a signal of the power of relations preventing accumulation (or both) is an open one. Fourth, self-employed workers are disenfranchised in labour law when they cannot identify a single employer against whom to bring a grievance to court (the multiple exchange relations in which the self-employed are entangled making this impossible).

The possession of assets may make it possible to bargain higher wages, but the turn to self-employment is not a solid indicator of gains by labour.

2. Long Term Loyalty: Case material demonstrates that, despite contractual precarity, wages may increase with the length of ‘service’ with a given employer.46 One the one hand this may be a customary norm; on the other it may reflect individual skill and experience. Gains are slow and individualised.

45 Corbridge, Harriss and Jeffrey, forthcoming
46 Prosperi, 2010; forthcoming; Harriss, 1981; Harriss-White 1996
Employers may also seek to bind long term informal employees without written contracts who they desire to retain, using loans.

3. Deployment of Collective Identities: In village studies in Tamil Nadu\textsuperscript{47} networks and social relations among agricultural labour based upon kinship, friendship and caste are described as being deployed to raise wages and improve conditions. Unorganised labour may also organise itself by village of origin and locality (where it can restrict entry, operate a closed shop, and negotiate periodically and in the collective interest against a set of employers).\textsuperscript{48} Research in Haryana demonstrates that collective identity may be as much a structure of control as it is one of enabling and empowerment.\textsuperscript{49} How localised the gains achieved by the mobilisation of social identities are - and whether they are made at the expense of other groups of workers – has not been established. The dynamics of such processes have mainly been researched in the context of migration.

4. Migration. Migrant labour appears to bring mixed effects on labour markets. On the one hand, an increase in the supply of (compliant) labour threatens employment opportunities as well as wages of workers in the destination sector and site – worse for women than for men and worse for older rather than younger workers. On the other hand migrant labour often manages to improve wages over and above rates in the origin.\textsuperscript{50} The effects of migration on migrants themselves are far from homogeneous. They may involve bondage or they may include social liberation, especially for oppressed dalit labour.\textsuperscript{51} Migration is also structured through institutions of caste, gender, locality, kinship and friendship but the literature suggests that while these relationships are vital in recruitment per se, their effectiveness in bettering work conditions is not well researched or established. As with the case of individualised relations with contractors so here with entire groups of migrants, low wages may be accepted in the interest of stable work opportunities. There is little evidence of migrants themselves attempting to improve work conditions. One case of informal labour

\textsuperscript{47} Ramachandran et al 2001
\textsuperscript{48} E.g. marketplace porters in the town of Arni, South India: source - author’s field interviews, 2012.
\textsuperscript{49} Rawal, 2006
\textsuperscript{50} Picherit, 2009 and Pattenden, 2012
\textsuperscript{51} Rogaly and Coppard 2003
mobilisation observed by Prosperi was a frustrated reaction to non- and extremely delayed payment of wages.52

5. Shifts in sector/location. Net of migration, other shifts may result in better working conditions. Moves from agriculture to the rural or local non-farm economy, and from rural to urban work are clearly associated with increased earnings.53 So much so that the local urban non-farm economy may become a redoubt – barring women and low caste aspirants.54

**Conclusions:**

While India’s informal economy provides evidence of on-going vulnerability, there is recent evidence for real wage gains. Yet the question of the micro-political practices by means of which gains in wages and improvements in working conditions are achieved by un-unionised, un-organised labour in the informal economy is one that does not seem to have been researched explicitly. It is also a general question whose answers have to be sought at the micro level.

The literature of case material is exiguous. Time series or historical evidence hardly exists and the trend of All-India real gains appears to be too recent for research cycles to have been completed. To date answers have to be found between the lines of research which has other objectives. Much of the existing evidence associates certain economic conditions with certain labour-market outcomes inferring cause and effect. Even literature rich in the details of working conditions (in agriculture in particular) ignores the question of the tactics used to struggle for wage gains or for changes in non-monetary gains, such as respect.

Little is known substantively. Relations of clientelism or loyalty may bring gains to individuals. The existence of alternative work at higher rates (state-supplied / self-employment/ different sectors / different locations) with the option of not working, or not working as many days may force employers to raise wages. They then start to worry about the timing of labour supply - they

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52 Prosperi, 2010
53 Jayaraj 2004; Jhadn
54 Haggblade et al 2010
may try to treat labour better - ‘like a bride’\textsuperscript{55} - not only offering higher wages. But not enough is known about how they resist or capitulate.

Labour may organise for objectives outside work – conditioning their life-world and their reproductive space – when mobilising to improve conditions at work is currently faced with insuperable obstacles. Collective identities may be deployed in the search for work but are rarely recorded as the basis for struggles for improved conditions. If non market forms of exchange, co-ownership, solidarity institutions, co-operative and collective practices of labour protection such as those explored elsewhere in this book play roles in the securing of gains to men and women workers, they are not yet identified and recorded.

For a wide constituency of public interests, and since there is no sign of anything other than further informalisation, systematic research is needed into the means whereby informal labour reduces its vulnerabilities and achieves improvements in its working conditions.

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\textsuperscript{55} Judith |Heyer, Personal Communication, 2012
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