The Politics of the Urban Informal Sector and Dominant Social Institutions
A Case Study on the Self-Employed Women's Association (SEWA)

by

Harini Venkatesh
M.A. Economics
University of Cambridge, 2001
B.A. Economics
University of Mumbai, 1999

Submitted to the Department of Urban Studies and Planning
in Partial Fulfillment of the Requirements for the Degree of

Master in City Planning

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Author

Department of Urban Studies and Planning
May 11, 2004

Certified by

Professor Bishwapiya Sanyal
Department of Urban Studies and Planning
Thesis Supervisor

Accepted by

Professor Dennis Frenchman
Chair, MCP Committee
Department of Urban Studies and Planning
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Abstract
Since the 1970’s the economics of the urban informal sector (UIS) has received tremendous attention in development literature. Recently, scholars have delved into the politics within which this sector is embedded. With respect to the politics of its external relationship, conventional wisdom argued that quintessential to achieving positive outcomes for the UIS poor was the practice of autonomy of groups representing the latter from dominant social institutions such as unions of formal sector workers, political parties and the government since political processes operating through these institutions was unresponsive to the needs of the UIS poor.

The objective of this research is to revisit the history of an organization that has delivered positive outcomes for the UIS poor with the ultimate objective of answering the following questions: What is the nature of relationship between the UIS poor and dominant social institutions, primarily, the government? What are the conditions, if any, under which there could be a more cooperative and complementary relationship between these actors, while ensuring positive outcomes for the UIS poor? Can these conditions be generalized or are they time, place and case specific? I analyze the case study of the Self-Employed Women’s Association (SEWA) to answer these questions. SEWA is one of India’s most successful voluntary organizations having its roots in the trade union movement in India and has since 1972 organized more than 300,000 UIS women workers. I analyze the above-mentioned relationships during SEWA’s evolution from its birth to its growth. The relationships during SEWA’s growth are analyzed in the context of SEWA’s campaigns for credit for self-employed women and secondarily by contrasting this campaign with SEWA’s campaign for minimum wages.

The research concludes describing how SEWA worked closely with all three institutions and particularly with the Indian government during its birth and growth. This positive relationship is seen even in the case of contemporary SEWA-government relationships. To be sure, the nature of these relationships varies during SEWA evolution depending on contextual specificities of time, place, person, policies, etc. Also, explanatory variables underlying these relationships differ in each of the stories told. Nevertheless, two common variables explain the positive relationship between SEWA and dominant institutions. These are progressive legislation coming from the central government in India and individual actors dedicated to social reform within the government, both at central and state levels.

Thesis supervisor: Bishwapriya Sanyal
Title: Ford International Professor of Urban Development and Planning
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Lastly and most importantly I express a deep sense of gratitude to my family. My husband Vijay for his undying support and encouragement, my in-laws for their persistent efforts at keeping my hopes flying high, my parents and my brother for giving me every opportunity to fulfill my dreams.
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Chapter 1: Introduction

1.1 Introduction

Since it was first proposed by Hart (1973) and popularized by an International Labour Office report on Kenya, the notion of the urban informal sector (UIS) has received tremendous attention in development literature. This literature, to a great extent, has focused on analyzing the UIS as an economic entity (Sanyal, 1991; Tendler, 2002). Further, most of such economic analysis of the UIS over the past decade or so, has taken the form of myriad policy-oriented programs and projects targeted at this sector, as a part of a broader social-policy arena of reducing poverty and unemployment (Tendler, 2002). Merits of such focus apart, successful implementation of these policies would call for broad based political support. However, it is only recently that scholars have delved into the politics within which this sector is embedded. With respect to the politics of its external relationship with dominant social institutions, a majority of literature about this sector maintained that UIS workers distrusted the government, political parties and other political institutions such as labor unions from the formal sector (Sanyal, 1991) since mainstream political processes operating through these institutions was unresponsive to the needs of the UIS poor.

1 Much has been covered on the theory and practical applications of the informal sector to economic development and planning. See Portes, Castells and Benton, (1989); Richardson, (1984); Sethuraman, (1981); Bromley, (1979); Blunch, Canakaraja and Raju; (2001).

2 See Tendler (2002) for some references on the existing literature on the politics of the urban informal sector. Here it is argued that there are some exceptions coming from outside the small firm literature, involving country studies by political scientists; some take place in the now-industrialized countries. For example, in a study of taxation in Zambia, Lise Rakner notes that the government "may have refrained from broadening its tax base to include the emerging informal business sector in order not to jeopardize its support among the Ovambo-speaking majority; "The Politics of Revenue Mobilization: Explaining Continuity in Namibian Tax Policies", Forum of Development Studies (no. 1, June 2001, p. 142). Italian political scientist studying Italy’s postwar period have pointed explicitly to the importance of "[c]lientelist generosity- in the form of regulation protecting small business, a lax approach to tax collection for the self-employed and so on- was systematically directed at these groups"; see Jonathan Hopkin and Alfio Mastropaolo, "From patronage to clientelism: comparing the Italian and Spanish experiences," Chapter 7 in Clientelism, Interests and Democratic Representation: The European Experience in Historical and Comparative Perspective, edited by Simona Piattoni (Cambridge University Press, 2001).
Specifically, conventional wisdom characterizing urban labor markets as dualistic saw the relationship between the UIS and formal workers as inherently antithetical or conflictual. Dualism was attributed to a number of factors, including the political power of the organized formal labor force or ‘labor aristocracy’. Labor aristocracy, according to this view was protective of its privileges and saw the informal sector as a threat to its privileges. Some took this argument even further suggesting that even if the level of antagonism between the two sectors was reduced, “unorganized workers should never join trade unions of organized workers because the former would be ‘swallowed up’ and used by the latter to pursue their own agenda” (Sanyal, 1994).

Such thinking also pervaded the expected and prescribed relationship between the UIS and established political parties. Here conventional wisdom maintained that organizations representing interests of the UIS poor must avoid alliances with established political parties. Such political alliances would jeopardize autonomy of the representing group (whether informal sector trade union, PVO or NGO) from advocating its own agenda. Further, remaining apolitical and non aligned would protect the UIS group from political instability caused due to a political regime change, which is often observed in developing countries (Sanyal, 1994).

Lastly, with respect to the relationship between the UIS and Third World governments, while literature against governments and their failure to deliver to the poor abounds, it is difficult to come across literature pertaining to the relationship between UIS and governments in particular. Here a majority of the literature focuses on the politics of urban squatters. John

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Sanyal (1991) argues that there exists a body of literature describing various political strategies that squatters and governments use in dealing with each other, but one cannot equate the politics of urban squatters with the politics of the UIS. Firstly, not all squatters earn their livelihood from the UIS (Nelson, 1979). Secondly, politics of urban...
Turner’s research in Peru is perhaps the most influential in this regard. Turner argued that governments of poor countries had accomplished very little in terms of housing the poor despite resources at its disposal, while ‘the people’ had done so much with so little (Turner, 1976).

Turner’s argument ran close to the ‘new’ social movement literature that originated in the West in the 1970s. The basic theme of this literature was that social movements were a symbol of ‘the people’s” resistance to government encroachment and this resistance cannot be expressed through conventional political institutions, such as political parties, because such institutions act as cohorts with the state to impose a hegemonic ideology of progress which justifies state encroachment of people’s lives (Offe, 1985). Such anti-government sentiment however, goes back to the mid-1970’s where while neo-Marxist literature criticized governments for doing too little to alter capitalist production relations, the neo-liberals following global economic slowdown in the 1970’s accused governments of doing too much (Sanyal, 1994).

Thus mainstream political processes were associated with control, dependence, bureaucratization, regulation, etc. Accordingly, the bulk of conventional wisdom argued that quintessential to achieving positive outcomes for the UIS poor was the practice of autonomy of groups representing the latter from dominant social institutions such as unions of formal sector workers, political parties and the government.

Yet, in reality organizations (diverse in form and origin) that were more effective and that had a greater impact on the poor were linked and worked fairly closely with mainstream and established institutions (Sanyal, 1987; Tendler, 1989). As Tendler (1989) argues, “one tends not to notice these links to power, because they are often buried in the early history of the

squatters arise with respect to territorial issues while politics of the UIS may have no territorial basis when members living in different parts of the city may organize to demand better access to inputs for their trade.
organization and because leaders of these organizations like to stress their independence from "the establishment" rather than their connection to it.

1.2 Research objectives

The above comment is the starting point of this research. The objective of this research is to revisit the history of an organization that has delivered positive outcomes for a segment of the UIS poor with the ultimate objective of answering the following questions: What is the nature of relationship between the UIS poor and dominant social institutions, primarily, government entities, and secondarily political parties and unions of formal workers? What are the conditions, if any, under which there could be a more cooperative and complementary relationship between these actors\(^4\), while ensuring positive outcomes for the UIS poor? Can these conditions be generalized or are they time, place and case specific?

I attempt to answer the above questions, analyzing the case study of the Self-Employed Women’s Association (SEWA). SEWA is one of India’s most successful and unusual voluntary organizations having its roots in the trade union movement in India and has since 1972 organized more than 300,000 UIS women workers (Dayal, 2001). I attempt to analyze the above-mentioned relationships primarily in the context of SEWA’s campaigns for credit for self-employed women and secondarily by comparing this campaign with SEWA’s campaign for minimum wages.

\(^4\) Tendler (1989) analyses six organizations that had a significant positive impact on poverty alleviation and traces traits that are common to all these organizations. One of these organizations is in the public sector. While the rest are from the non-governmental sector. Two of the latter arose out of the women’s wing of Indian trade union organizations and another out of political party organizing in India. These last three are organized as trade unions. Of the remaining two, one is a registered financial institution and the other is a private consulting firm.

\(^5\) There are a number of schools of thought on what it would take for NGO’s to work successfully with governments. One school of thought for instance, subscribed to mainly by economists would argue that the government and NGO’s should work mainly in ways that draws on their comparative advantages. See for instance, Sanyal (1994).
Popular literature on SEWA’s success gives little, if any, mention of how the mainstream political processes through the government, official political parties and formal trade unions were responsive to the needs of the UIS poor. While research may indicate this in passing, there is no analytical understanding of how and why contrary to conventional explanations, SEWA, a UIS group, could work with these institutions and why these institutions in turn would work with SEWA, to secure more positive outcomes for the UIS poor.

The question of why SEWA and why the credit and minimum wages campaign was chosen might arise. I chose SEWA firstly because, the fundamental problem in integrating the UIS into mainstream political process is that they are unorganized and their growing numbers makes organizing them a constraint for even established national trade unions. Despite such constraints SEWA has successfully organized more than 300,000 UIS workers today (Dayal, 2001). To be sure, SEWA is not a representative organization. It is one amongst few successful non-governmental organizations that operates mainly in one of the more prosperous states in India with membership involved in regionally specific economic activities (Tendler, 1989; Sanyal, 1990). Analyzing unrepresentative successful cases to see why they deviate from the norm, may enrich theory building on the UIS and dominant social institutions, as much as knowledge from in-depth enquiry about representative cases. This makes SEWA a case worthy of being explored.

Secondly, SEWA has been organizing UIS workers for over thirty years now. This provides an interesting opportunity to revisit SEWA historically to determine why and how during SEWA’s birth and growth did it build alliances with the three institutions of mainstream political process and the political implications of the this relationship. Lastly and perhaps most

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6 See for instance, Sebstad (1982); Rose (1992) and Dayal (2001).
interestingly, SEWA’s birth and growth occurred over the 1970s and 80’s when anti-government sentiment was reaching its peak and conventional wisdom strictly advocated voluntary groups such as SEWA against linking with any mainstream political process to maintain their autonomy, legitimacy and effectiveness. To determine whether and how such alliances were formed between SEWA and mainstream political processes operating through the government, established political parties and trade unions in the formal sector, at a time when this had been least likely, would make studying SEWA a challenging and exciting project.

The reason I chose SEWA’s minimum wages and credit campaign was that these were one of the first two interventions that SEWA initiated as a union for the self-employed. They were also the interventions that were associated with high growth in union membership. More so, popular literature on SEWA, refer to credit as being the important rally point that bought members belonging to diverse trade groups together (Rose, 1992). Both these reasons make analyzing SEWA’s growth in terms of its association with credit and minimum wages a particularly intriguing experience.

Thus the proposed study will specifically explore the following questions:

1. What was the nature of relationship between SEWA and the government, SEWA and formal sector trade unions, SEWA and established political parties, during SEWA’s campaign for minimum wages and credit?

2. What explains whether and why mainstream political processes through the above three institutions worked with SEWA to secure more positive outcomes for the self-employed?
3. Were there any differences in the relationship between SEWA and the three institutions in each of its campaign for minimum wages and credit? How can these differences be explained?

4. And lastly, how replicable are these lessons learnt from SEWA’s experience?

1.3 Methodology

The proposed study is a part of a broader study that I am assisting research under the guidance of Professor. Bishwapriya Sanyal at the Massachusetts Institute of Technology for his forthcoming book. Given that this study is a part of larger on-going research, I will rely on secondary data sources including archival data, key informant interviews and observations that have already been collected.

SEWA is considered both in India and around the world as one of the most successful unions at organizing self-employed workers. Further, it has been in operation for a period of thirty years. Both these factors have made SEWA the target for numerous case studies spawning voluminous literature on SEWA. This study makes use of such secondary literature from books, journal accounts and newspaper articles. In addition, I also conducted electronic interviews with rank members at SEWA, bureaucrats working with the Indian Government, and academic experts here in India.

1.4 Outline

One of the important conclusions of this research is that contextual specificities related to place, people and time do matter while analyzing the relationship between the UIS and dominant

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7 The electronic interviews included 3 rank members at SEWA and 4 bureaucrats working as departmental managers with the Reserve Bank of India. Dr. SupriyaRoyChowdhury at the Institute for Social and Economic Change, Bangalore provided invaluable insights into the politics of the UIS in India.
social institutions. Accordingly, chapter 2 begins laying out the context for our case study. This chapter first maps out a description of the UIS in India, its magnitude and relevance to the Indian economy as considered in successive plan periods. Next I describe the socio-economic background of the city of Ahmedabad where SEWA is headquartered.

Within this contextual framework, chapter 3 renders popular versions of the stories of SEWA: its origin, and growth in terms of the credit and minimum wages campaign. Each of these stories are then reconsidered in terms of SEWA's experience with dominant institutions in and its experience with the Indian government in particular.

Following this case study, chapter 4 lays out the theory underlying the UIS and its relationship with dominant social institutions such as organized labor groups, established political parties and the government. This chapter describes in detail how conventional theorizing argued that quintessential to achieving positive outcomes for the UIS poor was the practice of autonomy of groups representing the latter from dominant social institutions.

The final chapter confronts such theory with the practice of SEWA's experience showing how SEWA worked closely with all the three institutions in question during its birth and growth. Further I argue that the positive nature of this relationship, particularly between SEWA and the Indian government, continues in the more contemporary SEWA. While explanatory variables underlying these relationships differ in each of the stories told, two common variables explain the positive relationship between SEWA and dominant institutions. These are progressive legislation coming from the central government in India and individual actors within the government both at the central and state levels dedicated to social reform. Given that the relation between the UIS and the government is the primary focus of this research, I conclude introducing
one of the most progressive pieces of legislation enacted as recent as January 2004 by the central Government in India. This is the Unorganized Sector Bill 2003 that seeks, for the very first time, to provide social security for more than 370 million Indian UIS workers.
Chapter 2: The Context

The purpose of this chapter is to set up the context to analyze SEWA. It begins outlining the definition, size and relevance of the UIS to the Indian economy. Next, following the interpretation of the relationship between the UIS and dominant social institutions in the introductory chapter, this chapter attempts to trace the same but now in the Indian context. Moving from the broader Indian context, the chapter lastly focuses on the socio-economic and political background of the city of Ahmedabad where SEWA has been headquartered since its birth in 1972.

2.1 The UIS in India

The term “informal sector” and “unorganized sector” are used synonymously in India.\(^8\) The Report of the Working Group of Labor Policy for the Ninth Five-Year Plan, 1997-2002 (India, 1997) observed that the “unorganized sector represents 93 percent of the total workforce."\(^9\) It is characterized by excessive seasonality of employment, the problem of denial of minimum wages,...of indebtedness and bondage, the dislocation of home and family life caused on account of migration (inter-district, state and country) and the attendant problem caused on account of unplanned and unregulated urbanization and overcrowding, congestion, and increase in human misery, privation and suffering.” (As quoted in Venkata Ratnam, 1999)

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\(^8\) The distinction between these two terms is easy to describe but difficult to design. The Employment Market Information (EMI) Programme of the Directorate General of Employment and Training (DGET), Government of India, defines the organized sector as comprising all establishments in the public sector and those establishments in the private sector which employ ten or more persons on any day of the reference period (usually three months). All other activities by implication, could be considered unorganized. In common parlance, informal sector activities comprise those which are not (a) organized systematically; (b) made formal through mandatory registration or licence; (c) covered by legislation to protect minimum labor standards in employment; (d) unionized. See, C.S. Venkata Ratnam, (1999).

\(^9\) Papola (1998) estimates that the informal sector accounts for around 65% of employment in urban areas.
2.1.1 Defining the UIS in India

While the informal sector comprises of 93 percent of the workforce in India, heterogeneity of this sector makes it difficult to arrive at a uniform definition for the same, even within India. From a statistical and accounting point of view, this sector may refer to activities which are not reported or for which systematic data is not collected on a regular basis. From a regulatory point of view, it refers to activities, which are not covered by the existing laws of registration, etc. From the point of view of labor market segmentation, it refers to unprotected and non-unionized labor. From a public policy point of view, definitions become necessary when the State has clear-cut policy. In India, however, although the central government explicitly refers to the informal sector in its Five-Year Plan documents and elsewhere, it still does not have a clear-cut policy as such. It may therefore be concluded that in India, as in other parts of the world, whatever the point of view or purpose for referring to the informal sector, no precise definition is provided (Venkata Ratnam, 1999).

The above said, estimating the extent of the role of the informal sector to the Indian economy is based on the residual method\(^\text{10}\) (Banerjee, 1998). Thus according the Central Statistical Organization (CSO) in India, the unorganized sector is defined as “all unincorporated enterprises and house-hold industries—other than organized ones and which were not regulated by any of the Acts, and which do not maintain annual accounts and balance sheets” (CSO 1980: pp 135, as cited in Banerjee, 1988)\(^\text{11}\).

\(^{10}\) According to the residual method, from the total employment estimates based on the National Sample Survey on Employment and Unemployment, the employment estimates of the Director General of Employment and Training (DGET) of the Ministry of Labor for organized sector are deducted and the balance is taken as the employment rate in the unorganized sector (Papola, 1998).

\(^{11}\) This definition treats the informal sector in India as a residual category. But some empirical studies of segments of specific economies labeled as unorganized or informal present different stories. For instance, authors such as Joshi and Joshi (1976), Papola (1986), Banerjee (1988) and Jhabvala (1998) claim that the informal sector consists of economically productive activities and contributes extensively to the Indian economy.
2.1.2 Role of the informal sector in the Indian economy

A sustained shrinking of the organized or the formal sector has been the much-noted feature of the Indian economy during the 1980s and 1990s. The organized sectors’ share of employment has fallen steadily from 9 percent in 1981 to 8 percent in 1991 and to 7 percent in 2001 (censusindia.net). Table 1 shows that while employment in the formal sector increased in the year’s from 1996 to 1999, the rate of growth is marginal, given that the growth rate of population in India is itself as high as 2.15 percent (www.censusindia.net). From 1999 to 2000 employment in the formal sector falls. The decline in growth of jobs is seen even more sharply when we look specifically at the manufacturing sector.

<p>| Table 1: Employment in the formal sector |</p>
<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Employment in formal sector (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1996</td>
<td>279.4</td>
</tr>
<tr>
<td>2</td>
<td>1997</td>
<td>282.4</td>
</tr>
<tr>
<td>3</td>
<td>1999</td>
<td>283.9</td>
</tr>
<tr>
<td>4</td>
<td>2000</td>
<td>280.9</td>
</tr>
</tbody>
</table>

Source: Indian Labor Journal: various issues

<p>| Table 2: Decline in employment in formal manufacturing sector |</p>
<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Employment in manufacturing (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1978-1979</td>
<td>14.9</td>
</tr>
<tr>
<td>2</td>
<td>1983-1984</td>
<td>10.1</td>
</tr>
<tr>
<td>3</td>
<td>1989-1990</td>
<td>7.2</td>
</tr>
<tr>
<td>4</td>
<td>1991-1992</td>
<td>4.2</td>
</tr>
<tr>
<td>5</td>
<td>1996-1997</td>
<td>2.8</td>
</tr>
</tbody>
</table>


The shrinking of the organized sector has been accompanied by the expansion of the informal sector. For instance, this is seen in the case of manufacturing in table 3. In terms of

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12 The Directorate General of Employment and Training (DGET), Government of India, defines the organized sector as comprising all establishments in the public sector and those establishments in the private sector, which employ ten or more persons on any day of the reference period (usually three months) (Venkata Ratnam, 1999).

13 One lakh = one hundred thousand.
overall employment, using the earlier mentioned residual method, the employment rate in the unorganized sector is estimated to be around 92 percent. In the non-agricultural sector, rural and urban taken together, about 79 percent of total employment is in the informal sector (Venkata Ratnam, 1999).14

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>72.8</td>
<td>81.1</td>
<td>82.1</td>
</tr>
</tbody>
</table>


The share of the informal sector in Gross Domestic Product (GDP) is estimated at 64 percent. About 43 percent of the value added in the non-agricultural sector and 35 percent of the total value added in the urban economy come from informal sector activities, which are much higher in agriculture and also high in construction and trade (Venkata Ratnam, 1999).

The foregoing figures show that the informal sector is the primary provider of employment in India, in addition to making a substantial contribution to GDP. Given such relevance of the UIS to the Indian economy, how has public policy towards this sector evolved and what information does such public policy provide on the relationship between the UIS and dominant institutions. It is to this that we next move on to.

2.2 The Indian government, public policy and the UIS

In India, the contradiction between economic growth, poverty alleviation and egalitarianism took the particular form of state-managed capitalism in which the state controlled decision-making and administration of the total economy. This decision itself was rationalized

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14 Considering the underreporting in India’s formal sector activities, the data on the contribution of the informal sectors to employment and GDP could be considered moderate overestimates. Various papers published in special issues on the informal sector in the Indian Journal of Labor Economics and Manpower Journal explain the sources of data, provide analysis and highlight their limitations (Venkata Ratnam, 1999).
by the development discourse as a necessary phase in order to grow from a new nation to a
strong, well-developed economy that could function independently. It was clearly stated by the
independent India’s first Prime Minister, Nehru, the architect of the new state, that prosperity
was the priority, which in turn, he argued, would create the conditions for equality and peace
(Chatterjee, 1997). Further, rational and international experts agreed at that time that the strong
state was the only way a society which was largely illiterate and poor, with strong ethnic and
caste loyalties and hence incapable of thinking for “the country”, could be adequately governed.
The objective was to form a strong and powerful state that would regulate and facilitate rigorous
industrialization, economic production for a world market and high capital savings (Kamat,
2002).

Although the international development community celebrated growth rates for India,
statistics could not hide the growing numbers of the poor in the country (Kamat, 2002). With
more than 70 percent of rural population, the 1950’s and 1960’s saw rural discontent. This was
directed mostly against artificial scarcity for land created by the prevailing land holding pattern,
which enabled the landlord class to appropriate the benefits of development planning such as
price controls and credit schemes (Kamat, 2002). It was only in the 1980’s that development
ideology itself was identified as the root of the problem with the work of authors such as Nandy
(1987) and Kothari (1989). As is the case with several other Third world developmental states,
the Indian government and its development effort over the decades was the subject of much
criticism couched in terms of various theories, neo Marxist, neo liberal and social movements
literature, inclusive.\(^{15}\)

\(^{15}\) The theory underlying each of critics against the state is discussed in chapter 4.
For instance, along the lines of neo-liberal theorizing, Kamath (1994) argues that India’s economic problems can be directly traced to four and a half decades of centralized economic planning, in which the price of every commodity, every resource, had been determined by the central governments Five Year Plans. Kamath argues that Nehru’s version of socialism, which he calls the “onerous and nihilistic Nehruvian Planning system”, has led to the stifling of economic initiative leading to a “growth of only around 1.7 percent over the 1950-1985 period”. He argues that the kind of planning undertaken by the Indian government has inevitably led to inefficient, top-heavy, corrupt bureaucracies, minimal industrial growth rate and the creation of a pervasive underground economy, which draws income away from government treasuries. He argues that the failure of development planning in India to meet basic needs of the population has “produced an economic and social debacle of much larger proportions than that was witnessed by the collapse of socialism in Eastern Europe and the Soviet Union”.

Commentators such as Parajuli (1991) and Nandy (1989) develop their critique of the Indian state on the basis of the new social movement theory. Nandy, for instance, argues that development in India has come to mean the development of the state, a state that is increasingly unresponsive to the needs of the poor. He argues that “not only does the state hegemonize all social resources; it eats up an increasing proportion of resources….it primarily develops itself. Even when the state invests in conventional development, say in primary health care in rural areas, the lions share of investment goes to the various wings of the state” (Nandy, 1989).

Parajuli’s argument is related to that of Nandy when he says that: “New social movements challenge, to borrow Octavio Paz’s phrase, ‘the philanthropic ogre’ of the modern nation state which aspires to be a dominating force with totalitarian ambitions and at the same
time claims to the guardian of its citizens. It tries to regulate ‘accumulation’ and ‘legitimation’, ‘capitalism’ and ‘democracy’. Although couched in vocabulary of protection and development, the development discourse of the Indian state subordinates women, dalits, tribals and minority populations” (Parajuli, 1991). “Under the guise of a welfare state, national elites have transformed caste, gender, and ethnicity from relations of difference to relations of domination (ibid). Parajuli also argues that the state in India has co-opted the efforts and the initiatives of the social movements. He says “In the cause of development, the state generates one program after another in order to co-opt people’s initiatives….After a decade of grassroots struggle by women, indigenous people and the rural poor, the recent strategy of the Indian state has been to co-opt their issues as if the problem of ecological degradation and subordination of women could be solved within the dominant paradigm” (Parajuli, 1991).

In terms of labor in particular, Rudolph (1987) argues, “the state’s self-proclaimed responsibility for development was detrimental for labor’s interest. This takes potentially contradictory forms, maximizing industrialization based on capital-intensive investment and maximizing employment on labor-intensive methods. Both development strategies entail cheap labor. If labor remains a low-cost production under capital-intensive methods savings for capital formation can be increased. Labor-intensive development method that spread employment while attempting to meet market competition from manufactured products entail low wages. The state’s development goals accord with a wide range of economic theory that concludes that unpalatable as it may be, the economy of India needs a policy of low wages”.

Similarly there are a host of theories and explanations that account for the conditions of the very poor in India, the failure of the state in delivering positive outcomes for this lot and that
accuse the state as being the very cause of deep-seated poverty in the country. Debating the failure of the Indian state in its development efforts is beyond the scope of this research. Nevertheless, digging out specific historical facts, leads to some surprises with respect to the expected relationship between the Indian state, labor and the UIS in particular.

Firstly, the presence, nature and significance of the informal sector to the Indian economy was remarked upon much prior to the 1970’s when the informal sector concept gained attention in academic and development discourse in the West. In 1966, the Ministry of Labour in India appointed the First National Labour Commission (NLC) to review the changes in the conditions of labour since independence and also to review and assess the working of the existing legal provisions. The NLC submitted its report in 1969 (Breman, 1996). This report mentions sizeable category called unorganized workers. This aggregate term referred to a great diversity of non-agricultural wage laborers with the common characteristic that they had remained unorganized. This situation which amounted to an inability to look after their interests collectively, was said to be caused by the following factors: (a) casual nature of employment, (b) ignorance and illiteracy, (c) small size of establishments and low capital investment per person employed, (d) scattered nature of employment, and (e) superior strength of employer operating singly or in combination (Report of the National Labour Commission, 1969: pp. 417).

As Breman (1996) in his study on informal sector in Gujarat (the state where SEWA is headquartered) remarks “the NCL report was an important source of information regarding conditions of labor at the bottom of the economy in post colonial India. There can be little doubt that its findings inspired the government of Gujarat to institute in 1971 a commission whose task was to investigate employment and working conditions in various branches of industry within
the state that made use of unprotected and unorganized manual workers’. But, even before 1969, as early as years immediately following independence, the National Income Commission set up in 1949 and The Cotton Textile Enquiry Commission appointed in 1952 acknowledged the presence of diversity in the form of organization (Banerjee, 1988).

In terms of Five-Year Plans, the First Five-Year Plan (1951-1956), it in its own modest way gave considerable importance to what we would call the unorganized sector. It did this mainly by emphasizing the role of village and small enterprises in generating income and employment to the very poor and by attempting to remove institutional and infrastructural bottlenecks that such activities faced (Banerjee, 1988). Contrary to Rudolph’s (1967) claims of the Indian government followed policies that were not pro-labor; one of the most important policies of this plan was to involve trade unions in the formulation and implementation of the five-year plans. In order to make the labor leaders participate more effective at all the levels—national, industry and plant level- the government set up a Central Industries Advisory Council, the tripartite committees and works committees. The government also made it a practice to consult the labor leaders in all matters affecting the working condition and the well being of the working class (Johri, 1967).

The Second Five-Year Plan (celebrated as the Nehru-Mahalanobis Plan)\(^{16}\) laid out India’s industrializing strategy based on the development of capital-intensive heavy industries. Quite ironically, this plan also gave significant emphasis to unorganized household units. It did so by stressing on the role played by this sector in producing consumer goods required to meet demand generated through fresh employment during the plan period and aimed at expanding employment opportunities provided by this sector (Banerjee, 1988).

\(^{16}\) P.C Mahalanobis was the chairman of this Plan
The reason for this seemingly discrepant observation lies in the ideological premise of this plan. This plan frame initiated the process of transforming India into a socialistic society. The following quote from the Plan document, which was later repeated in the verbatim in the Third and Fourth Plan might be appropriate in this context: ‘the problem is to create a milieu in which the small man, who has so far had little opportunity of perceiving and participating in the immense possibilities of growth through organized efforts, is enabled in his best interests of a higher standard of life for himself and increased prosperity for the country’ (Government of India, 1956, pp. 22, as cited in Banerjee, 1988). At the same time, Indian planners recognized insurmountable difficulties in organizing anything like a centralized socialistic production system out of India’s multifaceted institutions. Therefore, they made it a point to mention that ‘each country had to develop (socialism) according to its own genius and tradition’ (Government of India, 1956, pp. 39, as cited in Banerjee, 1988). Promoting the unorganized sector provided an acceptable via media in this problem of arriving at socialistic goals inspite of an essentially uncontrolled and unstructured private sector (Banerjee, 1988).

The Second Plans strategy of meeting additional consumer requirements largely by means of production by unorganized and decentralized units had however not worked. The latter’s (allegedly)\(^{17}\) higher cost of production had put their products beyond the reach of the poor whose purchasing power was shrinking with rising prices of food\(^{18}\). On the other hand, consumers who had benefited by the Second Plan programs were demanding goods of a different nature (Government of India, 1961, pp.427). Thus in the plans following the Second Plan, the

\(^{17}\) I use ‘allegedly’ because literature does not mention how production costs in the unorganized sector are calculated and accounted for. See for instance, Banerjee (1988); Breman (1996); Venkata Ratnam (1999).

\(^{18}\) Beginning from 1960, the general price index of food had risen by 30% over the previous plan period. Food prices escalated by around 26% and India had to import food under the PL 480 program from the United States (Government of India, 1961, pp.123)
unorganized sector continued to receive support but only for its capacity to generate employment and hence a more widespread distribution of purchasing power (Banerjee, 1988).

While earlier Commissions and Five-Year plans recognized the informal sector, it was in 1986 that the government for the first time constituted a Commission explicitly for the informal sector. SEWA’s role in bringing this sector back into such explicit focus as it had been in the Second Five-Year Plan period, must be acknowledged. Self Employed Women’s Association (SEWA) began successfully organizing groups of self-employed women in 1972\textsuperscript{19}. Street vendors were one such group that SEWA helped organize\textsuperscript{20}. SEWA’s campaign to recognize the right of these street vendors to vend was successfully upheld by the Supreme Courts in India. Despite judgments in their favor, local police authorities continued to harass street vendors. In response, in 1986, SEWA called a National Workshop on Hawkers and Vendors, for which hawker’s groups from all over India met in the national capital of Delhi. SEWA’s reputation of successfully organizing self-employed women for more than a decade then, ensured that this meeting received substantial publicity to the extent that the then Prime Minister inaugurated this workshop (Rose, 1992).

On hearing experiences of vendors about their conditions, their experiences in the Supreme Court, and the authorities’ disregard for Supreme Court judgments, the Prime Minister responded with his announcement of the government’s decision to appoint a Commission on Self-Employed Women. Nine months later, the Prime Minister invited Ela Bhatt, chairperson of SEWA, to chair the Commission (Rose, 1992).

\textsuperscript{19} Details of SEWA’s origin are discussed in Chapter 3.

\textsuperscript{20} For a detailed account of SEWA’s campaign for street vendors, see, Sebstad (1982) and Rose (1992).
The reasons underlying the Prime Minister’s favorable response are many. Firstly, in terms of the overall political climate, from the early 1970’s, command politics in India was giving way to demand politics (Rudolph, 1987). According to Rudolph (1987), “demand politics threatens governability when mobilizations overrun established channels. It jeopardizes regulated conflicts and the representational infrastructure, and undermines a government of laws. Even so, mobilization that articulated perceived needs and inequalities can contribute to governability by making states respond in ways to foster support and legitimacy. Command politics holds out to the potential for governability and discipline but can be rationalization for authoritarian suppression of demands that jeopardize legitimacy, support and labor movement”. SEWA was a voluntary organization that emerged in the shadow of such demand politics seeking to work with the unorganized workers.

The question might arise as to why despite a veritable expansion of voluntary organization in India in the 1980’s, the Prime Minister responded favorably to a call for a Commission on informal workers coming from SEWA in particular\(^2\). Here, it could be conjectured that this newly elected Prime Minister responded favorably to grievances of SEWA members, with hopes of winning a large and already organized political constituency that SEWA members potentially represented. Lastly and perhaps more importantly, while other voluntary organization were in infancy stages in the 1980’s, SEWA had already completed more than a decade of successfully organizing self-employed women. In 1977, SEWA gained international recognition when its leader Ela Bhatt received Asia’s prestigious Ramon Magsaysay Award for ‘making a reality of the Gandhian principle of self-help among the depressed workforce of self-employed women’ (Rose, 1992). In addition to its base in Ahmedabad, SEWA networked out to

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\(^2\) In 1988, there were 12,000 voluntary organizations in registered with the Home Ministry in India, to which one may add several thousands which did not receive any international funding (Kamat, 2002).
strengthen women at the grassroots level in other parts of the country. New SEWAs in Bihar, Delhi, Madhya Pradesh, Haryana, and Uttar Pradesh, together with SEWA in Ahmedabad formed SEWA Bharat (Rose, 1992).

In 1986, the National Commission on Self Employed Women and Women in the Informal Sector was set up. Thus while public policy was historically supportive of the UIS, SEWA’s role in bringing this sector back into such explicit focus as it had been in the Second Five-Year Plan period, must be acknowledged. Several other Commissions followed the setting-up of the National Commission on Self Employed Women and Women in the Informal Sector. In 1991, a Commission on rural labor was convened. More recently, in October 1999, the Government of India established the Second National Commission on Labour. In setting up this second commission, the Government recognized that the country had undergone major economic changes since the earlier Commission had submitted its Report and that it was time to take a fresh look at the situation in the new and fast-changing economy (Chen, Jhabvala, Lund, 2001). The two main tasks of this Commission were to firstly, review and suggest how to rationalize the existing labor laws and secondly to recommend umbrella legislation for the unorganized sector (www.labor.nic.in)

In addition, the Government of India has enacted separate legislation for several categories and sub-categories of informal workers. Some of the most important national legislative provisions covering the UIS would include: the Workmen’s Compensation Act, 1923; Payment of Wages Act, 1936; Minimum Wages Act, 1948; Beedi and Cigar Workers (Conditions and Employment) Act, 1966; Bonded Labour System (Abolishment) Act, 1976; and
Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 (Venkata Ratnam, 1999)\textsuperscript{22}.

Accordingly, one can argue that public policy in India recognized the existence of the informal sector and the role it plays in the Indian economy much before the concept gained international attention. Public policy and regulation have been formulated to protect this sector. However the one standard criticism that commentators hurl at the Indian state and its development efforts is that much of the latter is mere rhetoric. While a plethora of laws applicable to the UIS exist, only lip service is paid to them without putting these laws into actual practice.

At a general level there may be truth to the above criticism. Yet a case-by-case analysis may reveal a more complex picture. For instance, despite exploitative practices in the Beedi\textsuperscript{23} industry, some organizations like the Kerala Dinesh Beedi Cooperative (KDB) in Kannur district in Kerala have successfully implemented minimum wages for informal sector workers in the Beedi industry\textsuperscript{24}. Teasing out the details in such cases would help create a more nuanced opinion about the relationship between the government and the UIS in India. From a practical point of view, analyzing such cases would help determine why some public policies were successfully implemented and under what context did this take place. This could in turn help policy makers to

\textsuperscript{22} See appendix 1 for a list and objectives of these Acts.
\textsuperscript{23} Indigenous form of a modern cigarette commonly found in India.
\textsuperscript{24} See, Madhu Raghunath, (2001), “A Living Wage: Strategies for Implementation of the Minimum Wage—The Case of the Indian Beedi Industry”, MCP thesis, MIT. Here the author considers some of the important factors that enabled KDB to secure high wages for its workers. Some of these would include the political patronage KDB received through the Communist Party of India to establish and market the cooperative within the state of Kerala. In addition to the cooperative, KDB also functioned as a trade union. The strength of the trade union was utilized to lobby and settle issues concerning dispute resolution. Lastly, the Supreme Court played a proactive role in enforcing minimum wages for Beedi workers. When the constitutional validity of the Beedi and Cigar Workers Act, 1966, was challenged, the court upheld the validity of this Act. If the court hadn’t passed a verdict on this Act, the latter and hence enforcing minimum wages for Beedi workers would have both been redundant.
determine feasibility (economical, political and social) and potential impact of policies targeting the UIS. It is with this intension that SEWA and its credit and minimum wage campaign is analyzed in this research.

2.3 The setting: Ahmedabad City

SEWA is based in the city of Ahmedabad, the largest city in the state of Gujarat along the west coast of India. A brief recounting of historic and contemporary Ahmedabad is presented here for two reasons. First, the textile industry has had an influence on the city for most of its history, designating it to be the Manchester of India. That influence continues today, although now it is not the wealth of the textile industry but its failing health, which is of concern. The loss of the textile industry is the cause of much of the unemployment, which afflicts the city and has an immediate impact on the lives of the women who belong to SEWA. They are affected when their husbands and male kin lose their jobs, and when the closure of mills reduces the amount of informal-sector work, which is available to them and increases the pressures in the informal sector.

The second reason to note these historical details of the city is SEWA’s contention that there are historical precedents for many of the organizations activities on behalf of its self-employed members (Appell, 1996). In particular, these include the organization of artisans into trade groups, efforts by those trade groups to negotiate wages and, more centrally, the formation of a trade union.\(^{25}\)

Founded in 1411 C.E, by Sultan Ahmed Shah (Gillion, 1968), Ahmedabad was established on the trade route between the capital city Delhi, and the seaport Khabhbat. Gillion

\(^{25}\) The historic precedents of each of these activities are developed in greater detail in chapter 3.
(1968) states that Ahmedabad was a "city with a corporate tradition and spirit, an hereditary bourgeois elite and a history of indigenous financial, commercial and industrial activity" and argues that these characteristics defined that city and its inhabitants. Gillion writes that Ahmedabad was a city that prospered through manufacturing, trade and commerce and its wealth did not come from "parasitic exploitation of the country side", in the pre-industrial period.

The trade of handcrafted items for domestic use and manufacturing of hand-loomed textiles for exports were major economic activities. Artisans produced these goods at home and sold them face-to-face to the consumers or through vendors. Industrialization reached the city in the latter part of the 18th century, displacing a large number of rural artisans and home-based producers. However, home-based production continued in its role in the city-economy in spite of industrialization and the rules and regulations related to it (Bhatt, 1987).

The city has numerous associations with M.K. Gandhi. To cite those relevant to this research: he was instrumental in resolving a textile workers' strike there in 1917 (Gillion, 1968; Patel, 1987), by participating in negotiations between mill workers and the mill owners who had reneged on their promise to pay a plaque bonus to workers, so as to keep their mills operating. Gandhi was one of the founders of the Textile Labourers' Association (TLA), the union formed in 1920 as a result of those negotiations. SEWA, the trade union, grew out of the Women's Wing of the Textile Labor Association (TLA) in the late 1950's (Rose, 1992). It is most appropriate, then that SEWA would be based in Ahmedabad since it is an organization which functions as a trade union, works to revive traditional laborers and claims affiliation with Gandhi.

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26 While this seems an essentialist argument by contemporary standards, it is evident to any observer that commerce plays an important role in contemporary Ahmedabad as well.

27 Gandhi began a fast when the mill owners did not honor the financial terms of the agreement, which had been established. Not wishing to be responsible his death, the owners gave in (Appell, 1996).
Contemporary Ahmedabad had over 64 textile mills that served as the economic base of the city through the twentieth century. Most of the 300,000 textile workers were members of the TLA (Bhatt, 1987). These workers accounted for two-thirds to three-quarters of the formal sector workforce (Breman, 1996). During the last several decades, following state-wide stagnation, the retrenchment of what was once an industrial vanguard resulted in a dramatic fall in the relative size and importance of this protected and organized segment (Breman, 2001). Women in particular were laid off from textile plant jobs and turned to informal means of generating income such as hawking, home production of foods and other goods, as a survival strategy (Sebstad, 1982). Thus while in the 1950's women comprised of over 25% of formal textile workers in Ahmedabad, by 1980, they had dropped to less than 5% (Bhatt, 1987).

As the total size of the working population of Ahmedabad has grown – less the consequence of natural expansion and immigration than of extension of the municipal boundaries – the proportion of work performed in the informal sector has also increased. In the early 1970s, the informal sector was estimated to account for around a half of all work in the urban economy (Papola 1986). By the end of the century, this had grown to between three-quarters and four-fifths. In Ahmedabad today, more than half of the city's workers are "employed" in the informal sector. Within this sector, the most dominant sub-group is the self-employed, who are primarily women (Bhatt, 1987).

The decline of the textile industry, which had been so crucial to the growth of employment in Ahmedabad in the past, was offset by the more recent arrival of large petrochemical and cement companies and the emergence of a large number of small-scale powerloom textile units, and diamond cutting-cum-polishing workshops and garment ateliers.
(Breman, 2001). Since the 1980s, the secondary sector has steadily lost ground and the tertiary sector has rapidly grown. Trading enterprises, public and private banks, insurance offices and other financial institutions, professional service providers, institutes of higher education and companies active in the new information technologies dominate the business districts that are rising from the ground at a rapid pace (Breman, 2001).

This development is reflected also in the development of new upmarket urban residential areas and the rising price of real estate. Lower income classes are visible in these areas as domestic servants, street vendors, repair and odd job men, cleaners, watchmen, or other menial services. The low wages of the underclass would account for the rise in the number of people living in slums in Ahmedabad. Between 1981 and 1996-97 the percentage of people living in slum areas almost doubled, from 23 per cent to 41 per cent (Breman, 2001; Hesselberg, 2002).

In addition, field-based research in Ahmedabad city has shown a significant fall in wages earned by former textile mill workers now employed in the informal sector (Breman, 2001). Over the years, the Gujarat government has established a minimum wage in 53 branches of employment in the informal sector. This rate varied between Rs 45 and Rs 53 per day in 1998. A survey of 758 informal sector households in 1998 in Ahmedabad city showed that the average daily wage for men was Rs 47, while women generally earned less than Rs 37; this research also shows that in 1998 the real daily wage for informal sector workers lay at least 10 per cent (for men) and 33 per cent (for women) below the poverty line (RoyChowdhury, 2004). These facts would indicate that despite the developmental profile of the city which has taken advantage of

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28 As of March 3, 2004, one dollar = 45.23 rupees (The Reserve Bank of India: www.rbi.org.in)
newer technologies and increasing investments, overall, there has been little positive impact upon the informal sector where wages are low, work insecure and living conditions abysmal.
Chapter 3: The Self-Employed Women’s Association (SEWA)

3.1 SEWA’s birth

SEWA, which, means ‘service’ in several Indian languages, is the acronym of the Self-Employed Women’s Association. SEWA is an exceptional voluntary organization having its roots in the trade union movement in India, growing out the activities of the Women’s Wing of the Textile Labor Association (TLA) in the late 1950’s (Rose, 1992). TLA is one of the oldest and largest unions of textile workers in India founded by Mahatma Gandhi in 1920 (Sebstad, 1982). SEWA remained a part of the TLA until April 1981, when under pressure from TLA leadership; it separated to become an independent organization. Nevertheless, SEWA inherited much of its ideology, organizational structure and bargaining style from the TLA. Hence a brief historical overview of the TLA is recounted below.

The original membership of the TLA consisted of Harijans and other lower castes (Sebstad, 1982; Rose, 1992). A group of elite men and women belonging to the majority religion, Hinduism, led these lower classes and castes. Anusuya Sarabai, for instance, who presided over the TLA from its inception to 1972, was a wealthy mill owner’s daughter (Sebstad, 1982). Prior to India’s independence, Gandhi’s word was the final word in the case of disputes between the TLA and mill owners (Appell, 1996; Sebstad, 1989). The mill owners agreed to

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29 There are several conjectures as to why TLA and SEWA split. Those that are most often quoted in popular literature on SEWA would include: first, several rank members of the TLA other than the president, were against the idea of SEWA from the start (discussed in this chapter). Second, in 1977, Ela Bhatt won the prestigious Ramon Magsaysay Award and this is argued to have created a rift between the president Mr Buch of the TLA and SEWA. Lastly, in 1981, caste riots broke out in Gujarat over the issue of reservation of seats (put forward by the Congress I government) for the lower castes. TLA here decided to maintain a neutral stand, while Ela Bhatt took a pro-reservation stand which received substantial media attention. This act invited strong disfavor from TLA leadership. Following such events, TLA “advised” SEWA to leave in 1981. See Sebstad (1982) and Rose (1992) for instance.

30 This term, which means ‘children of god’, was coined by Mahatma Gandhi to refer to those belonging to lower ranks of Hinduism’s caste system.
Gandhi's advice because Gandhi created the 'Quit India Movement' and the 'Khadi Movement' that indirectly helped local mill owners.\(^{31}\)

TLA's success in the post-independence period was to a great extent due to their strong relationship with the ruling party at both state and central levels (Sebstad, 1982). During this time, the Labor Minister usually came from the TLA and they would protect TLA's interests through internal lobbying. Also during this time the TLA would not take up any fights on collective issues. There was never any general strike and TLA was proud of this achievement (Appell, 1996). Anusuya Sarabai exerted pressure on the mill owners from outside and in an informal manner. This was TLA's tradition of getting things done in their favor without any direct confrontation (Sebstad, 1989). SEWA in its time would adopt a similar style in its own functioning.

The original purpose of the Women's Wing within the TLA was to assist women belonging to households of mill workers and its work focused largely on training and welfare activities. By 1968, classes in sewing, knitting, embroidery, spinning, press composition, etc were established in centers throughout the city of Ahmedabad for wives and daughters of mill workers (Sebstad, 1982). A recounting of how SEWA grew out of the activities of the Women's Wing, in most published literature on SEWA would include the narrative below.\(^{32}\)

In 1971, a small group of migrant women working as cart pullers in Ahmedabad's cloth market, having heard of TLA's transport workers' union, approached the TLA asking for help to

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31 The Khadi Movement was a boycott of British-made cloth. In it, Gandhi encouraged the populace to manufacture their own clothes, not buy British-made cloth. Gandhi also launched the 'Quit India' movement in August 1942, and issued the famous call to 'do or die'. Indians were to wage one last struggle to achieve independence, or die in that attempt.

find housing for themselves. On being directed to Ela Bhatt, then the leader of the Women’s Wing, these workers discussed details about their work including their low and erratic wages. During this meeting, women agreed to organize themselves into a group, each paying a membership fee of 25 paise (Sebstad, 1982)\(^{33}\). Following this meeting, Ela Bhatt wrote an article for a local newspaper detailing the problems of these workers. The cloth merchants responded with their own story, denying allegations and testifying their fair treatment of the workers. The Women’s Wing in turn used the merchants’ story as their leverage with merchants holding them to their asserted claims of ‘generosity’ (Sebstad, 1982). Word of this got around and soon a group of used garment dealers approached the Women’s Wing with their own grievances. In a meeting that followed, a woman from the crowd suggested they form an association of their own. Thus, on an appeal from the women and at the initiative of the leader of the Women’s Wing, Ela Bhatt and president of the TLA, A.N. Buch, the Self-Employed Women’s Association was born on December 3, 1971 (Sebstad, 1982, Rose, 1992). The women felt that as a workers’ association SEWA should establish itself as a trade union. On April 12, 1972, SEWA was duly registered as a trade union of self-employed women under the Trade Union Act, 1926 (Sebstad, 1982)\(^{34}\).

So much is well known in most of the published literature on SEWA. However, two questions with regard to the relationship between dominant institutions and SEWA, during the latter’s birth, receive little if any attention. Firstly, given the notion of labor aristocracy discussed earlier, why would the TLA, representing formal workers, support a trade union for the self-employed? Secondly, a union for the self-employed seems counterintuitive. Nevertheless, why and how did the government accept SEWA’s petitions for registering a union for the self-

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\(^{33}\) 25 paise is a forth of a Rupee

\(^{34}\) The Trade Union Act, 1926 provides for registration of trade unions. According to this Act, a minimum of seven workers of an establishment (or seven employers) can form a trade union and apply to the Registrar for it registration (Press Information Bureau. Government of India: www.pub.nic). See appendix 4 for this Act.
employed? Placing the birth of SEWA in its political, social and economic context helps answer both these questions.

3.1.1 SEWA’s birth re-told

With regard to the first of the above questions, Mr. Buch’s (president of the TLA) original intentions for supporting the idea of SEWA, the trade union, may have related to a genuine concern for poor women workers. However, there were several other reasons why he would support SEWA (Sebstad, 1982). Firstly, there was precedence for an arrangement such as a union within the parent TLA organization. Separate unions existed within the TLA such as a small factories union, sweepers union, cinema unions, etc. Next, changing economics within the textile industry warranted the creation of an organization such as SEWA within the TLA. As mentioned earlier, the late 1960’s and early 70’s saw changes in the structure of the textile industry with the invention of man-made fiber. Older textile mills using cotton became inefficient and from here on began the closure of these mills. The TLA could go to the state government and bail out sick mills however this would have been unsustainable while industrial upgrading possible in the longer term would again imply labor retrenchment.

In the mean time (between the 1950’s and the 1970’s) the composition of TLA membership changed. Many middle class and upper caste members had come to regard jobs in the textile mills as good jobs most importantly because wages were high (Sebstad, 1982). The leadership of TLA came from upper castes and the majority religion. In the interest of maintaining harmony amongst members, TLA could not explicitly take a stand for the poor, lower castes and those belonging to the minority religion, Islam. Against such a juxtaposition of

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economic and social forces, the idea of SEWA was proposed by Ela Bhatt and supported by Mr. Buch. SEWA then could be seen as a means to cater to a specialized group within the TLA under the overall umbrella because the TLA could not explicitly support specialized sub-groups of workers.

The above said, several leaders at the TLA were against the idea of SEWA. They found the idea of organizing scattered women strange since their notion of organization was based on the classical notion of employer-employee (Sebstad, 1982). Nevertheless, Mr. Buch supported and accepted SEWA. Here Mr. Buch thought that by building a broader constituency of members loyal to him, he could strengthen his power base within the TLA (Sebstad, 1982).

The underlying political context in India would also explain Mr. Buch’s position. In 1969, the ruling party at the center, the Indian National Congress (INC) split into two factions. The larger and the dominant faction was Congress R, which later became Congress I, named after its leader and Prime Minister Mrs. Indira Gandhi. The smaller faction consisted of veteran members or the ‘old guard’ of the INC and was called Congress O. Later in 1977, these members formed the Janata Party. With this political divide, TLA decided to maintain allegiance with the old guard of the INC or the Congress O since many of its rank members were older Gandhians affiliated with Congress O (Sebstad, 1982).

Given the playing out of these political events, Mr. Buch felt that a large membership from the weaker section would provide the TLA with protection from any potential attacks by the Congress I government (opponents to the Janata Party) (Sebstad, 1982). Alternatively, Mr.

36 Mrs. Gandhi’s tenure as the Prime Minister of India first lasted for the period 1966 to 1977 and next from 1980 to 1984. She was assassinated on October 31, 1984.
Buch, could through a poor constituency of his own, eventually be a part of the Congress I
(Sebstd, 1982).

Having thus gained acceptance and support from TLA, the question then arises as to how
and why did the government see beyond the notion of unions representing an employee-
employer relationship and agree to register SEWA as a union for the self-employed? The answer
to this question is that initially SEWA’s petition to be registered as a trade union met with
resistance at the state level.

When SEWA first approached the Deputy Labor Commissioner at the state level, the
latter suggested that SEWA be registered under the Societies Act\(^{37}\) because he “found the self-
employed as an odd category to be registered under the Trade Union Act, 1926. SEWA’s
purpose was not to regulate the employee-employer relationship as the Trade Union Act
required” (Deputy Commissioner A.K Seth of the Government of Gujarat, interviewed by Prof.
Sanyal, 1989).

SEWA however did not want to register under the Societies Act. There are several
reasons as to why SEWA would have wanted to register as a trade union. Creating a union would
imply government monitoring and hence loss of some autonomy. However, SEWA as a union
would secure several benefits. SEWA could obtain recognition at an all-India level; it could
collect dues from members; it could go for arbitration of disputes to the courts without going
through the labor commissioner and so on (Rose, 1992). More over in keeping with Mr. Buch’s

\(^{37}\) The first Cooperative Societies Act was enacted in India in 1904. This was amended in 1912 to include
cooperative societies other than credit. Under the Government of India Act, 1935, State governments are allowed to
motivations discussed earlier, a trade union would provide a political constituency that could buffer against the ruling party or as a ticket to a seat within the ruling party.

Recognizing TLA’s power and its connections at the state and central levels, the Deputy Commissioner, suggested that SEWA redefine its objectives to match the requirements of the Trade Union Act (Deputy Commissioner A.K. Seth of the Government of Gujarat, interviewed by Prof. Sanyal, 1989).

Accordingly, Ela Bhatt pushed for legitimacy of the union on the grounds that unions are not just fighting against employers, but also for “solidarity among workers” to “challenge and struggle against certain policies” (Ela Bhatt interviewed by Prof. Sanyal, 1989). This simple rearticulating of “establishment” as “policies” rather than “employer” went a long way in the registration of SEWA as a union. Strategically couched in these terms, the registration of the trade union appeared more like an accommodation within the legal framework than a challenging the latter. However this time, Ela Bhatt approached the central government. It should be noted here that labor in India is a concurrent subject so that both central and state governments can legislate on such issues. The Labor Commissioner at the central government was a personally known to Ela Bhatt. He in turn identified with and supported SEWA (Ela Bhatt interviewed by Prof. Sanyal, 1989).

Thus, during its birth, SEWA’s and dominant institutions shared a complex relationship. In the case of political parties, there was no explicit support for SEWA. Political support for SEWA came indirectly in terms of SEWA being a part of TLA and hence benefiting from the latter’s reputation and political clout. With regard to its relationship with the government, while the state government was less accommodating to SEWA’s petition, the central government
readily supported SEWA's cause. As Ela Bhatt herself remarks "the Center is far more progressive than the State which is more progressive than the District. What allows the Center to be progressive is that it is removed from their daily reality; it is more exposed to theory; they too are looking for new ideas, for more progressive legislation, and SEWA is too small for them to feel threatened" (Rose, 1992). Similarly Renana Jhabvala, a long-standing member of the executive committee at SEWA remarks "the history of our country is of progressive legislations, of progressive policies that have come from the central leadership" (Rose, 1992).

Amongst the three dominant institutions under question, SEWA during its birth appears to have benefited to a greatest extent from its association with the formal sector trade union, its parent organization, the TLA. Despite some contention, SEWA gained acceptance and support from the president of the TLA. Next, being associated with the TLA itself gave SEWA a head start in its interactions with the state and central government. The TLA was a reputed union following the virtues of Ganchi and a union that had not directly confronted the government. The government was hopeful that SEWA being a part of such a Gandhian union would not be a nuisance (Appell, 1996) Lastly, in its interactions with the government, SEWA cooperated and negotiated with both, the central and the state government without directly confronting any of them. This strategy was itself a trade union tactic of working, shifting alliances without any open confrontation. Such a strategy was essentially a part of SEWA's heritage from the TLA. Accordingly, following a rearticulation of the term "union" and SEWA's appeal to the central government, SEWA was successfully registered as a trade union in 1972.
3.2 SEWA's organizational structure

SEWA's organizational structure is an outcome of both the economic context within which SEWA was born and its lineage as a descendant of a hierarchical trade union. SEWA members typically fall into one of three occupational groups: small-scale sellers, home-based producers and casual laborers and service workers. Within SEWA local trade group leaders as well as full-time union organizers represent the members. Each member pays 5 rupees as the membership fee to the union. In terms of the governance of the union, the members of SEWA union elect someone to represent their trade in a ratio of one representative for every 100 women in those trades (Dayal, 2001). Those representatives form the Trade Council. Each trade also has a Trade Committee whose members are elected but in no specific representative ratio. This committee meets every month to discuss problems. Every three years, the Trade Council elects the Executive Committee, which in turn holds elections for officers and "invites" some members to become a part of it 38.

The union is the principal structure of SEWA and SEWA draws on experience and political networks of the trade union movement. This being said, SEWA's activities stand at a confluence of at least four movements; the labor movement, the women's movement the cooperative movement and the self-employed workers movement, with an eclectic style of organizing and service provision (Sanyal, 1994).

SEWA's organizing experience over the years resulted in the articulation of a dual strategy of 'struggle' and 'development'. Struggle translates into various forms of protests and demands for accountability from the government and employers engaged in sub-contracting

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38 Appendix 2 contains information on size of SEWA's membership as of 2002.
arrangements. While ‘struggles’ mobilize membership, the organizers have learnt that many of their problems are related to structural constraints within their trades: limited access to credit, raw material, lack of laws and policies protecting them, etc. Such realization led SEWA to promote what it calls “development” activities. Credit for the self-employed was one of the first such activities that SEWA took up (Sebstad, 1982).

3.3 SEWA grows: The minimum wage campaign

One of the first accounts of where the above ideology of ‘struggle’ and ‘development’ was translated into action was SEWA’s campaign (struggle) for minimum wages for home-based ready-made garment makers. These workers, around 3500-4000 of them, were predominantly Muslim women (Sebstad, 1982) sewing kohls (patchwork quilts) out of chindi (scraps of waste cloth) from local mills. Traders who supplied the raw material hired women and paid them on a piece rate basis to sew from home. In 1977, rising prices of oil and thread, led some of these workers from Dariapur, to approach SEWA with the hope of getting higher wages for their quilts (Bhatt, 1987). While most existing labor laws were ambiguous as to whether home based workers were included in them, the Minimum Wages Act (1948) in India, taken directly from the International Labour Office, included home based workers (Raghunath, 2001)\(^39\). This said, the Act applied only to trades included in the attached schedule determined by the State. Garment workers were not included in this schedule (Sebstad, 1982).

With the help of TLA representatives, SEWA organizers went house to house in Dariapur, talking to women about demanding a guaranteed minimum wage (Sebstad, 1982). After several mass meetings and being turned away by traders, SEWA filed a case in the State Labor Court on behalf of Chindi workers for guaranteed minimum wages in 1982 (Bhatt, 1987).

\(^{39}\) See appendix 1 for this Act.
This inducted SEWA and its Chindi workers into a long struggle between the various branches of the government. While implementation issues abound, it was finally in 1990, that home based garment workers were finally included in the Minimum Wages Act (1948) in Gujarat (Dayal, 2001).

During this long drawn struggle, to protect the Chindi workers against a backlash from traders and mill owners, SEWA initially created a Chindi unit in space provided in a State Labor Department run worker's education library (Sebstd, 1982). With the help of its TLA contacts, SEWA obtained raw material from textile mills and supplied this to a hand full of these workers. This unit eventually developed into a cooperative where profits accrued despite paying piece-rates. These rates were higher than that paid by employers, demonstrating that fair wages and profitability were not mutually exclusive. As a result, private traders are now offering the same rates to their workers (Bhatt, 1987).

3.3.1 SEWA grows: The minimum wages story re-told

In the case of SEWA’s campaign for minimum wages, literature on SEWA emphasizes the importance of SEWA’s persistent protests with the government in guarantying minimum wages for the Chindi workers and its success in obtaining higher piece rates for the workers by organizing workers into the cooperative. This creates the impression that the government was forced to succumb to persistent pressure and cooperate with SEWA. However little is mentioned about the fact that SEWA’s fight for higher piece-rate for Chindi workers was successful, in part, because of strong support from a state government minister (Sanyal, 1994). Similarly there is little mention of the fact that prior to SEWA’s demands, public policy in India had constituted
protective legislature for the UIS, including minimum wages, thereby providing a precedent for SEWA to follow.

Since popular literature describes SEWA’s minimum wage campaign as a “struggle with the government” (Sebstad, 1982; Rose, 1992), in re-telling SEWA’s minimum wage story, the focus is on SEWA’s interaction with ‘the’ government, including various arms and actors within the government, operating at various levels.

SEWA’s minimum wages story begins before 1982 when SEWA formally filed a petition to include garment workers in the Minimum Wages Act. When Chindi workers first approached SEWA in 1977 with their cause, SEWA took its case to the Labor Commissioner’s office in Gujarat. The Commissioner was Mr. Saxena. Mr. Saxena was supportive of SEWA’s position and the Commissioner’s Office maintained that minimum wages applied to garment makers (Mr. Saxena interviewed by Prof. Sanyal, 1989).

Next, in 1981 the state government imposed a sales tax on the raw material (chindi) used by garment makers. The traders and mill owners immediately rushed to the State Minister for Labor, Mr. Mehta, asking him to repel taxes since they employed poor women and that a tax on raw material would hurt these women. Hearing this, SEWA approached the minister and asked him not to remove the tax unless traders increased the wages of workers to minimum wages. The minister realized that the traders were against the imposition of taxes not because it would hurt women workers but because paying of sales tax would require them to keep up to date accounts and the latter could then be used to force traders to pay higher income taxes. The Labor Minister who was also the Finance Minister supported SEWA’s position and instructed the Commissioner
Mr. Saxena to keep the tax on *chindi* till wages were revised (Mr. Mehta interviewed by Prof. Sanyal, 1989). Both, the Minister and the Commissioner belonged to the Congress I government.

In the meanwhile in 1982, SEWA separated from the TLA (Sebstad, 1982). The systematization of the union was going on. Through existing contacts with garment workers, SEWA realized that many garment workers in Gujarat had no minimum wages cover. It was after this that SEWA filed the application on behalf of garment workers to the state government, in 1982. It is to be noted that while legislation for minimum wages is made at the central government, implementation is at the state level. The central government has no direct control over states so far as the implementation of minimum wages are concerned. SEWA chose to push the cause of garment workers since they were already working with them (from SEWA’s birth) and they had a lot of contact with them, which facilitated organizing them.

Nevertheless, nearly two years passed since the application was filed but SEWA’s petition did not move. The main opposition to the new bill that would specify garment workers as employees and hence eligible for minimum wages, came from garment dealers (Sebstad, 1982). These dealers formed a powerful export lobby. Their position was that providing minimum wages to garment workers would make their exports less competitive and would reduce foreign exchange earnings for the country. The India Clothing Association, Garment Merchants Association, and All India Clothing Export Manufacturer’s Association were all lobbying against the inclusion of garment workers in the minimum wages schedule (Sebstad, 1982).
SEWA tried to put pressure on the government but faced difficulties in organizing garment workers to openly demonstrate their show of strength. This was because these workers came from two conservative communities: namely Muslims and high caste Hindu’s. After a lot of efforts when SEWA did manage to organize workers into a rally demanding their cause, religious riots broke out in Gujarat in 1985\textsuperscript{40}. After this episode, building unity among workers became difficult (Appell, 1996). Finally after a lot of work in 1986 SEWA took out a procession in which workers from both communities participated. Following such a show of strength, SEWA’s application to the government moved and a draft notification was released. This notification included a time-rate but workers SEWA represented were home-based workers for whom ideal rates were piece-rates. The government then worked out a piece-rate based on time-rates (Sebstad, 1982).

The notification then is sent to the Minimum Wages Advisory Committee (MWAC) where if it passes, it goes back to the government for final notification. The MWAC consists of representatives of employees, employers and government representatives. SEWA’s strategy was to lobby very hard with employee representatives in the MWAC. The employers’ representatives used a strategy of delay. They either postponed meetings or would remain absent. During one such meeting, SEWA’s strong contingent of 120 women surrounded employee representatives and pressured them to pass the draft. Despite employer representatives not showing up for this meeting, there was sufficient quorum to allow a vote. The draft notification was thus passed and sent back to the government (Rose, 1992 and Ela Bhatt interviewed by Prof. Sanyal, 1989).

\textsuperscript{40} Gujarat has a long history of communal riots with the first communal riot reported as early as 1410 (www.timesofindia.com). The 1985 riots began against reservation policies but soon took a communal hue. Most recently in 2002, religious riots in Gujarat claimed almost 900 lives (www.samachar.com).
Finally in December 1988, the petition came out and SEWA was promised that implementation would begin as early as March 1989. The deadline elapsed without any implementation. SEWA members were shocked to hear that the government had actually withdrawn the petition (Rose, 1992). SEWA later found that members from the export lobby had pressured a minister from a district called Kheda to do so. Kheda was also home to big garment factories (Sebstad, 1982).

At this point, SEWA considered going to Court with their cause but decided against it since this would further lengthen the process. SEWA protested outside the Legislative Assembly. The national press chastised the Minister for pushing a stay order on minimum wages. During this time, the Labor Commissioner, Saxena, who supported SEWA’s cause, also had a good rapport with the minister who placed the stay order on implementation. Saxena took up this issue with the concerned minister. In response to Saxena’s request to reconsider the wage issue for piece-rate workers, the minister constituted a committee headed by a secretary to the government in the Labor department. The secretary, Mr. Sharma was supportive of SEWA’s request given SEWA reputation (Mr. Saxena interviewed by Prof. Sanyal, 1989).

Thus, SEWA’s minimum wage story does demonstrate ‘struggle’ between SEWA and the government. Given that minimum wage, as a policy is redistributive, this ‘struggle’ with the government is explicable since enforcement of such policies would require the government to counter pressure coming from the economically elite. In SEWA’s case, the ‘struggle’ was even more complicated by a problem of conception where the self-employed were not recognized as ‘workers’ and hence not eligible for minimum wage protection. SEWA’s persistent efforts at organizing and bargaining with the government eventually resulted in garment workers being recognized within the Minimum Wages Act. Without undermining such efforts, the re-telling of
SEWA’s minimum wage story shows that some individual actors within ‘the’ government and mainstream political parties, played an important role in SEWA’s minimum wage ‘success’ story.\(^{41}\)

Sanat Mehta, the finance and labor minister in Gujarat between 1980-1985, was one such actor who supported SEWA by agreeing to keep the tax on raw materials used by garment makers. While the neo-classical paradigm would argue that government workers are doomed by their self-interest to be uncommitted, Mehta would stand as a dedicated government worker and veteran trade unionist whom as of 1997, completed more than 50 years of trade union activity (http://www.parliamentofindia.nic.in/lok11/biodata/).

Next, the Labour Commissioner, Saxena was supportive of SEWA’s cause both in recognizing the eligibility of garment makers for minimum wage protection and in convincing the minister in 1989 about the same. According to Mr. Saxena, his office responded favorably to SEWA’s cause since “SEWA was a credible organization and it had a long history of organizing unorganized people” (Mr. Saxena interviewed by Prof. Sanyal, 1989).

Next, in his role as the Managing Director of the Gujarat Handicrafts Board (A Government of India undertaking), Saxena procured products from SEWA thereby enabling SEWA to bypass middlemen who captured most of their profits. SEWA initially did counter problems in dealing with this Board. For instance, garment makers used thread, which would lose color quickly. The Board then supplied SEWA with better quality thread and fabric. The Board could afford to do so because it could obtain cheap credit from nationalized banks under the earlier mentioned CGS scheme. The Board in its annual review by the government would tell

\(^{41}\) ‘Success’ here is in quotes since imposing minimum wages for the UIS is still confounded by problems of implementation.
the reviewing team that they have been working with poor women, which put the Board and the bureaucrat in charge in a more favorable light vis-à-vis the government.

Lastly, the Secretary to the government in the Labour department, Veenay Sharma was supportive of SEWA's cause. According to this secretary, while it was difficult to amend Acts, it was possible to do so when 'constructive suggestion' came from a respected organization such as SEWA (Veenay Sharma interviewed by Prof. Sanyal, 1989). By 'constructive' he probably meant those proposals that do not make the government look bad and those that can be done incrementally and so on. This comment suggests that government benefits from information that a voluntary organization at the 'bottom' brings to them. Using such information individual bureaucrats could in turn create their own image of efficient and good workers.

Both this comment and the earlier case of the Handicrafts Board indicate a more positive relationship between the UIS and actors with the government. These cases also show that the government itself can feed dedication of its workers such as Secretary Sharma and Labour Commissioner Saxena by designing an appropriate incentive package such as well-publicized government reviews that formally recognize efforts of bureaucrats. There now exists an array of practices now widely known to bring dedication to the job among government workers (Tendler, 1998)\(^{42}\).

Lastly, looking at public policy for the UIS, we see that historical precedents for protective legislation for the UIS and minimum wages in particular were already in place prior to SEWA's 'struggle' in the minimum wages story. As mentioned in Chapter 2, following the

\(^{42}\) Tendler (1998) looks at four cases involving public bureaucracies at work in the state of Ceara in North East Brazil. All four cases performed well and created significant impact. Tendler traces four common traits of these successful cases. These included a committed workforce, government sponsored publicity feeding commitment of this workforce, multitasked nature of work and the government creating a sense of calling around public service.
report of the National Commission of Labour in 1969, the Government of Gujarat instituted a commission whose task was to investigate employment and working conditions in branches of industry in the state that made use of unprotected and unorganized labor. In addition to touring the state of Gujarat collecting factual data, this commission also visited Bombay where, after a number of strikes by informal sector head loaders in 1965, the government of Maharashtra had introduced a scheme to regulate employment of these casual workers to be found in market places. This commission published its findings in a report called Report Committee Unprotected and Unorganized Labour 1972 (Breman, 1996).

Perhaps not surprisingly then, Labor Secretary Veenay Sharma equated SEWA’s role to that of a catalyst in something the government had already started. In India, there are continuing Boards headed by an ex-judge, which look at specific labor issues. The ongoing Board had already done studies of various industries in terms of adherence to minimum wages. So this Board had already prepared reports. SEWA’s role was that of a catalyst because they bought additional information and pushed in a specific direction.

Thus the re-telling of SEWA’s minimum wage story highlights the role played by some individual actors within ‘the’ government and mainstream political parties both of whom showed high dedication to their jobs, and the role played by the government itself in feeding such dedication. Contrary to neo-classical allegations that homogenize government workers as self-interested and ‘rent-seeking’, the case of the above actors operating within institutions at the ‘top’ demonstrates that these actors cared about their countries well-being, were aware and critical of the inefficiencies within the governments, were appreciative of SEWA’s efforts at organizing the poor, were no: preferential in protecting organized interests of garment dealers and made demands on the government on SEWA’s behalf, thus facilitating social reform
(Sanyal, 1990). Similarly, the Indian government recognized and had already set the ball rolling in initiating protective legislature for the UIS. These findings show and describe how SEWA worked closely with the government in its minimum wages campaign.

3.4 SEWA grows: The Mahila SEWA Sahakari Bank

Problems such as those of the Chindi workers were importantly one of lack of access to working capital. SEWA in its surveys traced this problem to lack of access to formal sources of credit (Sebstad, 1982). As SEWA began organizing self-employed women, it was realized that two major problems faced its members. One of them was indebtedness and the second was that members faced a high degree of exploitation by private moneylenders. While the legal rate of interest for registered moneylenders was 18 percent, in practice the rate ranged from 36 to 110 percent (Kirloskar Consultants Ltd., 1983).

In an initial response, SEWA acted as an intermediary between institutional sources of credit and its members. SEWA identified trade group leaders who suggested women who needed loans. Women were asked to become a SEWA member by paying Rs. 3. They were also given assistance in filling out loan forms. SEWA charged a fee of Rs. 10 from the national banks for processing each loan application. If the loan amount was approved, a staff member helped the member to withdraw the loan. After that, the women had to deal with the bank independently to repay the loan (Rose, 1992).

For SEWA, this move acted as a huge draw of membership (Sebstad, 1982) since access to credit was tied to becoming a member of the union. As Ela Bhatt remarked “through this program, our membership swelled to almost 3000 members. Sometimes it was overwhelming”

**Table 4: SEWA Union Membership, 1973-1982**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of members</th>
<th>Year</th>
<th>No. of members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>320</td>
<td>1978</td>
<td>730</td>
</tr>
<tr>
<td>1974</td>
<td>3,131</td>
<td>1979</td>
<td>2,041</td>
</tr>
<tr>
<td>1975</td>
<td>3,850</td>
<td>1980</td>
<td>4,934</td>
</tr>
<tr>
<td>1976</td>
<td>1,630</td>
<td>1981</td>
<td>6,087</td>
</tr>
<tr>
<td>1977</td>
<td>1,748</td>
<td>1982</td>
<td>10,733</td>
</tr>
</tbody>
</table>

*Source: www.sewa.org*

Nevertheless, this arrangement was soon fraught with difficulties. For banks, difficulties arose since they were used to dealing with an educated, middle-class clientele, while most of SEWA’s members were illiterate and hence unable to fill required forms for deposits and withdrawals, thus presenting a nuisance to bank staff. For SEWA members, this arrangement was ridden with inflexibilities importantly because bank made large loans available, which members could not spend at one time. In the interim members had to find a safe place to keep the loan, protect it from being spent by other family members and would hence paradoxically give these loans for safe keeping back to the exploitative moneylender (Sebstad, 1982; Rose, 1992).

As a popular book on SEWA reads, “at a rowdy meeting where women discussed the above problems of their loans, members came up with a solution that was quite radical for its time: to start their own bank” (Rose, 1992). A campaign was started to raise the Rs. 100,000 share capital legally required to set up a bank (Sebstad, 1982). Thus began the initial steps that eventually led to the formation of the Mahila SEWA Sahakari Bank (SEWA Bank) in 1974.

SEWA Bank is a registered cooperative bank subject to subject to the banking laws of the Reserve Bank of India and cooperative banking laws of Gujarat State. As table 5 illustrates, the
Bank has enjoyed steady growth, which has accelerated since the liberalization of financial policies in India in the early 1990’s (Chen, Snodgrass, 1999).

**Table 5: Growth of SEWA Bank, 1975-1998**

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholders (#)</th>
<th>Share Capital (Rs.)</th>
<th>Depositors (#)</th>
<th>Depositors (Rs.)</th>
<th>Working Capital (Rs.)</th>
<th>Profits (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>75-76</td>
<td>6,631</td>
<td>75,990</td>
<td>10,549</td>
<td>950,388</td>
<td>1,664,431</td>
<td>30,016</td>
</tr>
<tr>
<td>80-81</td>
<td>7,507</td>
<td>80,690</td>
<td>14,022</td>
<td>2,728,876</td>
<td>3,194,930</td>
<td>54,192</td>
</tr>
<tr>
<td>85-86</td>
<td>9,825</td>
<td>538,130</td>
<td>22,208</td>
<td>11,278,886</td>
<td>13,537,252</td>
<td>222,267</td>
</tr>
<tr>
<td>91-91</td>
<td>13,151</td>
<td>1,466,000</td>
<td>27,923</td>
<td>24,466,000</td>
<td>34,417,000</td>
<td>741,000</td>
</tr>
<tr>
<td>95-96</td>
<td>19,258</td>
<td>6,102,000</td>
<td>56,540</td>
<td>86,355,000</td>
<td>114,648,000</td>
<td>2,096,000</td>
</tr>
<tr>
<td>96-97</td>
<td>20,657</td>
<td>7,220,000</td>
<td>50,117</td>
<td>126,523,000</td>
<td>167,381,000</td>
<td>1,788,000</td>
</tr>
<tr>
<td>97-98</td>
<td>24,678</td>
<td>8,410,000</td>
<td>88,786</td>
<td>156,759,000</td>
<td>209,578,000</td>
<td>1,757,000</td>
</tr>
<tr>
<td>As of Nov. 98</td>
<td>26,173</td>
<td>9,494,000</td>
<td>92,927</td>
<td>171,080,000</td>
<td>228,675,000</td>
<td>1,528,000</td>
</tr>
</tbody>
</table>

*Source: SEWA Bank Reports*

SEWA Bank offers three types of services to its members: (a) savings, (b) loans (c) insurance. In addition to providing normal banking services SEWA Bank also links banking services to other supportive services available to union members such as insurance. Thus while in theory non-union members could become customers of SEWA Bank, in practice such a model made it in every customers interests to become members of the union, thereby further gaining membership to the union.

Savings are the core financial service of SEWA Bank. All members of SEWA Union (and their family members) are eligible to open savings accounts at the Bank. Savers are mobilized and recruited among the SEWA membership by SEWA Union organizers. To open a savings account, members of the SEWA Union must fill out a form. In terms of loans, SEWA

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43 Appendix 3 shows the list of individual products offered by each of these services.
Bank offers two types of loans, unsecured loans and secured loans. Unsecured loans are targeted at the majority of SEWA members who are working women from low-income families. While all members of SEWA Bank are eligible for secured loans, only the wealthier members can afford them. A minority of loans is made available to non-members of the Bank (Chen, Snodgrass, 1999). Insurance is the third financial service offered by SEWA Bank. Since 1992, SEWA Bank established an insurance program in collaboration with two nationalized insurance companies (the Life Insurance Corporation and the United India Assurance Corporation). Initially voluntary, the insurance schemes were made compulsory in 1996 (Chen, Snodgrass, 1999).

SEWA Bank is financially self-sustaining and has not felt the pressure to seek outside sources of finance. Some reasons for this would include (Chen, Snodgrass, 1999):

- Savings operations exceed loan activities by a ratio of nearly 12:1 in number and 2:1 in number.
- Deposits plus shares contribute to 83 percent of the Bank’s capital.
- The level of delinquency has declined and long run loan loss rate is nil\(^44\)
- Salary costs represent a low percentage (64%) of operating costs.\(^45\)

SEWA Bank’s performance has in many ways been better than existing large government banks in terms of deposits, repayment and structure (Sebstad, 1982). As of March 31, 1998,

\(^44\) The following steps are taken to limit delinquencies, based on the length of time delinquent: (a) 30 days- a reminder notice is sent to the client; (b) 60 days- the client is visited by a SEWA Bank recovery officer; (c) 6 months- a legal and advisory notice is sent to the client; (d) 7 months- a legal advisory notice is sent to the client and two guarantors; (e) 1 year- legal action is taken (Chen, Snodgrass, 1999).

\(^45\) This figure not only represents low salaries but also the integration of the bank into the family of SEWA services. Cross subsidization of SEWA Bank by SEWA occurs in several other ways. Notably, SEWA Union leaders mobilize savers and screen prospective borrowers while SEWA’s health department and SEWA Bank share extension premises (Chen, Snodgrass, 1999).
SEWA Bank had over 88,000 depositors and a working capital of over 152 million rupees (nearly USD 4 million). A recent study of the financial viability of SEWA Bank by a leading microfinance technical assistance organization in India concluded that the Bank is a profitable enterprise (Mahajan et. al, 1996).

The above popular rendition of SEWA’s credit operations, initially as an intermediary and then as a bank in itself, lacks in-depth institutional analysis in suggesting that SEWA could begin both these operations almost overnight⁴⁶. A closer reading begs the asking of several questions. For instance, the previous chapter included a critique of development efforts by the Indian State. This critique indicated that public policy in India explicitly targeted the informal sector first, during the Second-Five Year Plan and next, only in the mid-80’s when the National Commission on Self Employed Women and Women in the Informal Sector was formed. In this case, why would institutional sources of credit want to lend to potentially high risk self-employed women, as they did in the 1970’s when SEWA acted as an intermediary? Also, why would lending take place via intermediaries and SEWA at that?

Next with respect to SEWA’s own banking operations, starting and running a bank requires meeting certain minimum statutory regulations, and banking know-how. How did SEWA, a registered trade union face these issues? Which were the institutions that were involved in the process of creating and running SEWA Bank? And, what was the nature of SEWA’s interactions with these institutions?

3.4.1 SEWA's growth: The credit story re-told

In re-telling SEWA's credit story, I attempt to fill in the institutional vacuum within which this story has been told in most popular literature on SEWA. As in the case of SEWA's birth discussed earlier, the story of SEWA's growth through its credit operations is retold beginning with the political context for this story.

As mentioned earlier, since India's independence, the dominant ruling party was the INC. In 1966, Indira Gandhi became the Prime Minister of India. While she was the leader of the government and had formal control over both the party and government apparatus, her control over the former was only nominal (Rudolph, 1987). This was because within the federation, the power of various Congress state bosses came from the basic structure of Congress politics since independence - its dependence on the support of local magnates for electoral support. Under this system, aggregation of local influence assumed low level of popular mobilization, when the lower orders of the electorate voted on the advice of superordinate orders of some kind (Kaviraj, 1986). Indira Gandhi correctly assumed that lower orders of people were becoming less inclined to vote in the basis of primordial controls. This assumption accords well with Rudolph's (1987) argument made in Chapter 2, that beginning from the late 1960's command politics in India was giving way to demand politics.

Amidst a growing rift between her and party bosses, Mrs. Gandhi pursued a vigorous policy in 1969 of limited land reform and placed a ceiling on personal income, private property, and corporate profits. She also nationalized 14 major banks. The Congress expelled her for "indiscipline" on November 12, 1969, an action that split the party into two factions: the

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Congress (O)--for Organisation--under party elder, Morarji Desai, and the Congress (R)--for Requisition--under Gandhi. She continued as prime minister with support from opposition parties (Hart, 1976; Nandy, 1980; Kaviraj, 1986).

The Congress under Mrs. Gandhi’s leadership entered the parliamentary election in 1971 at the head of a minority government dependent on opposition support. In a tactical move to thwart the influence of Congress state bosses, Mrs. Gandhi called for an early election that ‘delinked’ state elections from that of the center. Such ‘delinking’ was also made possible through a radically different electoral strategy, one in which the central government or its leader could set up a direct relation with the electorate (Kaviraj, 1986; Rudolph, 1987). Elections then took a ‘plebiscitary’ direction by matching one known personality with one appealing slogan, “garibi hatao” or “abolish poverty” (Rudolph, 1987). The result was a glorious win for Mrs. Gandhi.

In order to implement the slogan “abolish poverty”, a public limited company was created in January 1971 called the Credit Guarantee Corporation of India Ltd. (CGCI). This company introduced the Credit Guarantee Scheme (CGS) 48. The scheme provided credit to low-income families though the nationalized banks. This scheme regulated banks to set aside ½ to 1 percent of their loan portfolios for the “weaker section” or those families under the poverty line 49. Under this scheme, loans at differential interest rates at 4 percent payable over 2 years, were made available to the poor (http://www.dicgc.org.in/html/abt_us.htm).

48 As of July 1978, the CGCI and the Deposit Insurance Corporation (DIC) were integrated into one company, the Deposit Insurance and Credit Guarantee Corporation (Sinha, 2000).
49 “Weaker sections” is official parlance in India for the poor and underprivileged sections of society. Includes all families officially classified as poor but also some non-poor who belong to the lower caste categories of Hindu society or to specified groups of other religious minorities (Sinha, 2000). In 1970, the poverty line was drawn at Rs. 3600 per year per family for urban India (Sebstad, 1982).
Since CGS was introduced in lieu of the ‘garibi hatao’ platform, in its early years, the volume of loans disbursed under this program was important for the government. Accordingly, banks were under a great deal of pressure to meet loan disbursement regulations set by the central government and had to lend to the ‘weaker sections’ either directly or via intermediaries. Banks however at this time were quite inexperienced and unprepared to carry out this program. This was because of problems associated with identifying borrowers scattered over wide areas, high transactions cost in making a large number of small loans which was typically the case with lending to poorer sections, etc (Sebstad, 1982). This is where SEWA entered the story.

Nationalized banks were interested in working with SEWA because (a) it had legitimacy as an organization of working class women, and (b) it was affiliated with the TLA, which was in turn looked upon as a credible ‘Gandhian union’. SEWA first approached the Bank of India which given the above reasons, willingly advanced a few hundred loans to SEWA on a trial basis. The State Bank of India then came forward with its own offers of assistance to SEWA members. Soon other banks also were coming to SEWA with funds for poor women (Sebstad, 1982).

For SEWA, acting as an intermediary enabled them to avail their members to institutional sources of credit. It importantly acted as a huge draw of membership as table 5 indicated. Lastly, as an intermediary working in close quarters with the nationalized banks, SEWA had an opportunity to obtain banking know-how, which would later come to use when SEWA started its own bank.
Mrs. Gandhi’s ‘garibi hatao’ platform came under increasing attack as being mere populist rhetoric both during the elections and after. Bank nationalization initiated by this Prime Minister was chastised as imposing heavy regulation and hence inefficiencies in the banking sector in India (Nandy, 1980; Rudolph, 1987). However in this particular case, ‘populist’ politics enabled the initiation of a scheme that provided cheap loans to the poor. Regulation in terms of precise percentages to be disbursed by nationalized banks together with political pressure, forced banks to lend to the poor. SEWA’s own efforts at organizing self-employed women, helped complete implementation of this scheme with credit reaching the target beneficiary, i.e. the ‘weaker sections’.

Thus SEWA began acting as an intermediary in providing access to credit. As loans were disbursed to the self-employed, the arrangement between SEWA and the banks faced problems for the reasons stated earlier. When the idea of starting a SEWA bank came across, the first hurdle to cross was securing necessary initial capital to start the bank. SEWA members were able to generate about Rs. 60,000 by selling shares of Rs. 10 and Rs. 20 to more than 4000 women. The TLA and Mr. Buch provided their support with a contribution of Rs. 60,000 towards the bank (Sebstad, 1982; Rose, 1992). Having secured some initial share capital, the next step was to obtain statutory licenses to run the bank.

The Registrar of Cooperative Banks expressed skepticism and resistance to the idea of a bank for poor illiterate women. As Ela Bhatt remarked “the government people said that you can do it, we cannot. This is your type of work. We cannot cooperate with this. You do as you like” (Ela Bhatt interviewed by Prof. Sanyal, 1989). This according to Ela Bhatt was a way to support SEWA. SEWA developed a strategy of putting a photograph of every woman holding a slate
with her account number on her bank pass-book (Rose, 1992). Ela Bhatt was working in her own shrewd way to demonstrate needs of SEWA’s members to officials such as the registrar who had conceptual blocks. With such kinds of persuasions and SEWA’s concrete display of intention by raising share money within six months, the state registered them as the Mahila SEWA Sahakari Bank in July 1974 (Rose, 1992).

The Secretary of Finance who was a friend of Ela Bhatt’s provided the bank with a grant of Rs. 10,000 in the first year, Rs. 6000 in the second year and Rs. 5000 in the third year (Ela Bhatt interviewed by Prof. Sanyal, 1989 ). SEWA Bank became profitable after the second year of operation. It should be noted that for the first two years of its operation, SEWA Bank continued to also act in its role as an intermediary to nationalized banks (Rose, 1992).

SEWA however did not stop here and began negotiating various by-laws to obtain a license from the central bank, the Reserve Bank of India (RBI) while remaining a cooperative bank. According to Usha Jumani (managing director of the bank in 1982) the reason why SEWA wanted to continue to remain a cooperative bank was because national banks had little room to make independent decisions. The government determined key aspects such as how much money the bank gives out on loans, what percentage of that is distributed among different sectors, etc.

Despite such regulation, SEWA wanted to secure RBI licensing. Several progressive ideas that were incorporated into SEWA’s banking by-laws were given up in order to obtain RBI licensing. For instance, SEWA wanted to lend to cooperatives but this was not permitted since according to RBI stipulations, primary cooperatives could not lend to other primary cooperatives without RBI special permission (Sinha, 2000). Licensing would also require SEWA Bank to be independently audited. Thus licensing would entail reduced autonomy. Nevertheless licensing
would allow SEWA to avail of RBI deposit guarantees to the amount of Rs. 30,000. On par with nationalized banks, SEWA bank would then earn credibility and public trust. SEWA Bank obtained RBI licensing ten years after it became a cooperative bank. Accordingly, SEWA currently meets viability norms for urban cooperative banks as well as capital adequacy norms set by the RBI (Chen, Snodgrass, 1999).

Thus in the case of SEWA’s operation as an intermediary, a mutual coincidence of wants between a political party, regulated government institutions, and an organization working for the UIS poor resulted in a cooperative arrangement between these actors operating from the ‘top’ and ‘bottom’. The end result of this arrangement was that a scheme implemented by government agencies (nationalized banks) and a ‘populist’ voting platform, both initiated by a dominant political party delivered positive outcomes for SEWA and its self-employed poor.

The foundation for SEWA starting its own bank was laid when SEWA started acting as an intermediary and prior to the “rowdy meeting where the idea of starting their own bank was proposed by SEWA members” (Rose, 1992). The government was supportive of SEWA’s decision to start their own bank given their on-going relationship with SEWA as the intermediary but more importantly because of SEWA’s association with the TLA. The latter had contacts in various government departments, from officials to ministers. As executive committee member at SEWA, Jhabvala remarks “the whole state Labour Department was in a way run by the TLA” (Renana Jhabvala interviewed by Prof. Sanyal, 1989).

Government regulation, the much criticized factor amongst neo-liberals, did at times constrain SEWA Bank’s operations, for instance in restricting SEWA from lending to cooperatives. Nevertheless it must be noted that it was such regulation that provided the
opportunity for SEWA to act as an intermediary. Next, although fully aware of a loss of autonomy associated with obtaining an RBI license, SEWA pursued the same. It should be noted that SEWA to date remains the only micro-finance institution in India that is licensed as a bank (Sinha, 2000). This was done in order to access deposit guarantees from the RBI and gain credibility associated with coming on par with other nationalized banks.

Lastly, regulations at times did seem insurmountable, for instance SEWA being an urban cooperative bank was strictly restricted from having a rural clientele. After many years of struggle, politics eventually helped counter this problem. As a member of the upper house of the parliament from 1986-1989 Ela Bhatt was able to convince the Finance Minister that SEWA Bank providing for a rural clientele was a good idea (Ela Bhatt interviewed by Prof. Sanyal, 1989). Ultimately the finance ministry convinced the RBI of this and SEWA was allowed to operate in some rural areas (Sinha, 2000).

Thus far this research reconsidered the story of SEWA’s birth and growth and explored the nature of SEWA’s relationship with dominant institutions during this period. The following chapter discusses how the relationship between the UIS and dominant social institutions has been theorized conventionally and how this theory has evolved over the years.
**Chapter 4: The Theoretical Underpinnings**

4.1 Broken myths - The UIS reconsidered

The concept of the ‘informal sector’, coined by Keith Hart (1971) was born out of a series of studies on urban labor markets in Africa. Since it was published in ILO report, there have been numerous debates on various aspects of the ‘informal sector’ with a substantial number of these centered around its theoretical validity and operational applicability. While this debate has not produced any consensus (Peattie, 1987) it has led to a more nuanced understanding of the UIS by challenging major theoretical underpinnings and notions associated with this sector. Of relevance to understanding conventional wisdom on the nature of relationship between the UIS and dominant institutions are two key interpretations of the UIS and findings on the same \(^{50}\) (Sanyal, 1991).

*UIS as a transitory stage to modernization:*

Two of the most important theories underlying conventional understanding of the UIS are associated with the Nobel laureate, Sir Arthur Lewis. The first of these that dominated development discourse and practice through the 1950’s was Lewis’s Two Sector Model with Unlimited Supplies of Labor (the Lewis Model) \(^{51}\). In this model Lewis postulated that development would require industrialization, agricultural modernization and urbanization, which developing countries could achieve by exploiting existing inequalities in sectoral, spatial and social relationships (Sanyal, 1988). Sectorally, industry with a higher rate of return was to receive investment priorities over agriculture. Spatially, investment was to be concentrated in

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\(^{50}\) For a comprehensive synthesis of how notions associated with the informal sector has changed over time see Blunch, Canakaraja and Raju; (2001).

urban areas providing scale and agglomeration benefits. Socially, the entrepreneurial class was to save and invest in order to employ the rest in the country. This reallocation mechanism, Lewis acknowledged would exacerbate sectoral, spatial and social inequalities in the short run. However, in the long run, rural-urban migration that fueled this process would improve terms of trade for agriculture while pushing down wages in industry. Competitive industrial wages would then constitute the comparative advantage for developing countries. Foreign exchange earned on the basis of this comparative advantage could then be used for capita accumulation in turn to be used to modernize industrial base.

The term ‘informal sector’ never appeared in this design for modernization and industrialization. The influx of migrants including petty traders, slum dwellers, etc (who would at a later date be categorized as ‘informal’) were ignored by most governments of newly independent nations hoping—as Sir Lewis did—that ‘this problem’ would disappear with industrialization and economic modernization (Sanyal, 1988). Following the example of their Western leaders, developing countries believed that that they too would experience political modernization with political parties and organized labor growing in tandem with such economic modernization and industrialization.

The presence of the UIS if acknowledged, was seen as a transitory phenomenon, which would disappear with economic and political modernization. However, this phenomenon has not played out in practice. Peter Gutkind (1968) was the first to note that this transition process was not developing as expected (Sanyal, 1991). Currently, the size of the UIS ranges from between

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52 In addition to Lewis, Nicholas Kaldor’s model for economic growth in which capitalists have higher marginal propensity to save than workers, also implies that redistribution to profits raises the growth rate: Kaldor, N., 1957, "A Model of Economic Growth", Economic Journal, 67: 591-624
30 to 80 percent of total non-farm employment, with this percentage rising in most countries (Charmes, 2000). A majority of this labor force is self-employed (Portes, Castells and Benton, 1989). This increasing size of the UIS has begun to influence the nature of urban and national politics (Sandrook, 1982).

The dualistic urban model:

While Hart coined term ‘informal sector’ in 1971, the above description of the Lewis model suggests that the informal sector may equally well be seen as a spin-off of the dual economy literature, originating with Lewis (1954) and later with Hirschmann (1958). Whereas such dual economy (the “modern-traditional” dichotomy) literature mainly addressed the sectoral differences (as discussed earlier) in terms of the technology applied, a somewhat later related literature focused more on the organization of the sectors (Sethuraman 1976). An example of the latter literature is Geertz (1963) who examined the informal sector in Indonesia.

According to the dualistic model, labor markets in developing countries are characterized by a stark duality, where formal workers are skilled, receive higher wages and come under the purview of protective labor laws. Informal workers in turn are defined by negating these characteristics. Thus informal workers are unskilled, receive lower wages and unprotected by any labor legislation.

However, this initial model of a dualistic urban economy consisting of a formal and an informal sector where the attributes of the informal sector were simply a negation of those of the formal sector is no longer correct. The boundaries between both sectors are more fluid. The political implications of such a relationship are that instead of a purely dichotomous relationship,
there could be more overlapping interests between the sectors (Portes, 1994). While research identifying such overlapping of interest is more recent (Maloney, 2001), some such interests that have been identified would include the following:

i. Research indicates that not all UIS workers are interested in formal sector jobs (Peattie, 1980). Indeed some formal workers may want to move to the informal sector. Wages do tend to be very low in the informal sector, typically markedly below those offered in the formal sector, and often below legislated minimum wage levels. Notwithstanding, the earnings profiles of informal sector participants differ both considerably and systematically by occupational status (Maloney, 2001). Also, the informal sector consists of both, wage employment and self-employment. In general, the self-employed have the highest earnings followed, in descending order, by regular wage earners, casual wage earners, and lastly, apprentices. This order holds true regardless of the branch of informal activity (Maloney, 2001). Moreover, there appears to be a significant gap in the earnings of the self-employed compared to wage earners in the informal sector. For example, in the urban informal sectors of Costa Rica, Colombia, and Peru, micro-enterprise owners make 2.5 to 3 times the earnings of their employees, while the self-employed (with no hired workers) make 50 percent more than wage-earners (Tokman 1990). Survey findings also suggest that the earnings of the self-employed in the informal sector compare favorably with wage-earners in the formal sector, often being considerably higher than legislated minimum wage levels, while the earnings of wage-earners tend to be near or below them (Charmes 1998). Such findings in turn
explain why, not all UIS workers are envious of formal workers and why not all formal sector workers feel threatened by UIS workers.

ii. Evidence shows that a growing percentage of workers may belong to both sectors, where the informal sector job provides additional income. In this case again, some workers may be interested in the well being of both sectors (Maloney, 2001).

iii. Related to the above point, is another important fact, which has not received attention until recently. There are non-trivial numbers of households engaging in both informal and formal sector activities (King 1990). With this type of intra-household earning arrangement, it is unlikely that there exists pure animosity between workers of both sectors.

iv. Low wage earners from both sectors could live in the same neighborhoods and experience similar problems, say for instance lack of basic services. This could create a bond between members of both sectors that overpowers feeling of envy based on employment status (Sanyal, 1994).

v. Lastly, formal sector workers may form the clientele for goods and services sold by the UIS workers and hence it is in the interest of such UIS workers that jobs and wages in the formal sector remain more or less stable.
In addition to the above, there exists a vast volume of literature that has broken several other myths associated with the UIS\(^{53}\). The above findings however, only include specific misconceptions on the UIS that are most relevant to understanding conventional interpretations of the UIS with dominant institutions and our case study in particular.

In the following paragraphs I analyze how these misconceptions underlie the relationship between the UIS and each of following institutions: organized labor, political parties and governments. Since this research is primarily concerned with the relationship between the UIS and government, this is explored in greater detail. However before doing so, it should be noted that it is only for the sake of analytical clarity that I consider each of these relationships individually. In practice these relationships are not watertight compartments and one could expect significant interaction across all three sets of relationships.

### 4.2 The UIS and organized labor

An area that has achieved little attention in terms of research is the relationship between trade unions of formal sector workers and voluntary organization like SEWA, that have attempted to organize both rural and urban informal sector workers (Sanyal, 1994). This again is perhaps expected given how, as discussed above, conventional wisdom characterized urban labor markets as being dualistic.

This duality is attributed to a number of factors, including the political power of the organized formal labor force or ‘labor aristocracy’. Labor aristocracy, according to this view is protective of its privileges and sees the informal sector as a threat to its privileges.

\(^{53}\) For a comprehensive synthesis of how notions associated with the informal sector has changed over time see Blunch, Canakaraja and Raju (2001).
As Sanyal (1994) argues “it was in the interest of formal workers to restrict the entry of informal workers to the labor market, which could lower their wages; and conversely, informal workers saw their chance of joining the formal labor market restricted by high wages that organized formal workers managed to extract from their employers”. Indicative of such sentiment is an assessment of trade union approaches to organizing the unorganized, coming from one of India’s premier formal sector trade unions, the All India Trade Union Congress (AITUC). The latter observed that: “.... preoccupation within the parameters of economic demands of the already organized sector has led to a neglect of the talk of organizing the unorganized....” (Venkata Ratnam, 1999).

Recent literature has however, as argued earlier, identified an overlapping of interests between the two sectors. Regardless, there are few if any, institutional linkages between the sectors. The obvious reason is that UIS workers rarely organize into groups with whom trade unions from the formal sector can co-operate. Sanyal (1991) argues, that typically UIS groups may be organized by city while trade unions in the formal sector are nationally organized. Also, UIS groups may be organized loosely while their counterparts are required by law to have a strict internal hierarchy.

The problem however arises at a more fundamental level since a vast majority of the informal workers are not even organized into trade groups and organizing them may lie beyond constraints of even national unions. Thus all national trade union centers are aware of and conscious about the need to organize the unorganized, but although there is no dearth of effort the results are not manifest. As one trade union leader observed, “In the organized sector, 10

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54 See Sanyal (1991) and Blunch. Canakaraja and Raju; (2001) for most recent literature on how interests between the formal and informal sectors might overlap.
percent work gets us 90 percent results. In the informal sector, 90 percent work gives us 10 percent results" (Venkata Ratnam, 1999).

UIS workers may in turn be reluctant to join an organization of formal workers despite the perception that smaller UIS groups may benefit from being a part of a large financially stable and well-established group who could articulate their interest at a regional or national level. Even if the level of antagonism between the sectors is not much, UIS groups may be worried that joining forces with formal sector unions would result in them being swallowed up and used without any concrete assurance that their interests would be articulated by formal unions. (Sanyal, 1991).

4.3 The UIS and established political parties

As discussed above, theory associated with the dual economy literature saw the UIS as a transitory short-run phenomenon, which would disappear as economic and political modernization came about. The UIS was portrayed as a ‘marginal’ group, where in addition to being economically marginal involving themselves in petty trading, etc, the former were also portrayed as socially and politically marginal. Consequentially, unlike unions of formal sector workers, the UIS was not considered a political constituency with well-articulated interests. Gutkind’s (1968) research on Africa for the first time noted that the transition process that the dual economy theory predicted was not developing in practice. He pointed out that the failure to make the transition amongst informal workers was creating a sense of despair and frustration. This, he predicted would eventually lead them against formal political processes with violent protests (Sanyal, 1988). Following Gutkind’s work, some authors in the 1960’s portrayed the
UIS as being politically progressive, which when roused to political consciousness, could foster social revolutions together with the rural poor (Walton, 1979).

The 1970’s however saw the pendulum swinging in the opposite direction. The ILO, for one, elevated the ‘marginals’ to the status of a ‘sector’ (Peattie, 1987). Through its field work in Kenya in 1972, the ILO recognized that the traditional sector, what it called the informal sector was not confined to marginally productive activities but included profitable and efficient enterprises; and that informal sector activities were largely ignored, rarely supported, often regulated, and sometimes actively discouraged by policy makers and governments (Bangasser, 2000)\footnote{Hart coined the “informal sector” term in an earlier study in 1971 (Hart, 1973). It should also be noted that many African researchers, notably at the Institute of Development Studies, University of Nairobi, had been studying the sector prior to the ILO missions and the Hart study (Chen, Jhabvala, Lund, 2001).}

This was followed by a period where based on studies of the UIS workers in Latin American countries that had moved from pluralist democracies to authoritarian regimes, scholars argued against portraying the UIS as a marginal group. Further they argued that UIS workers while a decade ago supported social change were in general, supportive of authoritarian regimes since these ensured political stability (Peattie, 1979). Yet again in the late 1970’s, evidence from Latin America indicated that the UIS workers now supported the democratization movement, not so much because they were pro-democracy but because they were against fiscal austerity measures imposed by almost all Latin American governments (Sanyal, 1991).

Scholars considered such opportunistic behavior on the part of the UIS as necessary at a time when no political parties could be trusted (Castells, 1981), maintaining that UIS workers also distrusted the government and dominant political institutions such as labor unions of formal
workers. Authors like De Soto (1986) argued that dominant institutions like established political parties, governments and formal unions would never represent UIS interests. Hence 'independent' institutions such as private voluntary organizations and non-governmental were considered appropriate agents for this task. These 'new' agents were forbearers of a 'new' paradigm of 'development from below' as will be discussed below in the relationship between the UIS and the government.

Thus conventional wisdom maintained that organizations representing interests of the UIS poor must avoid alliances with established political parties. Such political alliances would jeopardize autonomy of the representing group (whether informal sector trade union, PVO or NGO) from advocating its own agenda. Further, remaining apolitical and non aligned would protect the UIS group from political instability caused due to a political regime change, which is often observed in developing countries (Sanyal, 1994).

4.4 The UIS and governments

In the late 1960's and early 1970's conventional wisdom on the relationship between UIS and the government began to take shape. Coincidentally this was also when the term 'informal sector' first appeared and anti-state sentiment first began to rise. Around this time the Development State began to face criticism from the left and the right about its failure to bring about economical, political and social change. After nearly two decades, growth as predicted by the Two-Sector model failed to trickle down and had only produced enclaves of economic growth. Broad based economic growth failed to materialize in the developing world even in long run. Politically, this was a period where several countries in Latin America went from pluralistic

56 The term 'new' is borrowed from the New Social Movements literature. See Offe (1985) for instance
democracies to authoritarian regimes. Sociologically, modernization had failed to create the rational man and the ‘achieving society’ (Sanyal, 1994).

At least three types of responses were critical about the Development State. First, neo Marxist criticisms under the dependency theory emerged around the mid 1960's. The main argument of these theories was that broad based economic development had not occurred in the poorest countries because of their linkage to global capitalist economy dominated by rich countries, who through a process of unequal exchange had acquired a disproportionate share of surplus produced by poor countries. The state, according to Marxist was neither a protector of public interest nor did it have the autonomy to restructure the capitalist relations of production and reproduction so as to help the poor genuinely (Jessop, 1990; Conroy 1984).

While the neo Marxists criticized the state for doing too little to alter capitalist production relations, the neo-liberals following global economic slowdown in the 1970's accused the state of doing too much (Sanyal, 1994). According to this view inefficient and excessive state regulation stifled growth in both formal and informal sectors. De Soto’s (1989) path breaking research on Peru showed numerous examples of how by-laws, zoning regulations and various bureaucratic procedures required for legalization and registration of enterprises adversely affected start-up and operation of the UIS by increasing transaction costs and hence discouraging investment.

Neo-liberal theorizing attributed this regulatory environment to “rent-seeking” motivations of bureaucrats where regulations to restrict free market access are created first, followed by a charge of rents for providing access to selected few who paid such “rents”. Infact De Soto’s study on Peru (1989) defined informality as the popular response to the rigid
‘mercantilist’ states dominant in Peru and other Latin American countries that survived by granting legal participation in the economy to a small elite. Since such rents increased transactions cost of doing business, promoting investment would require abolishing regulation. Accordingly, de-regulation and privatization featured high on the list of priorities imposed on debt-ridden developing countries by various International Monetary Fund (IMF) sponsored structural adjustment programs of the early 1980’s.

The 1980’s saw anti-government sentiment rise with an equal rise in the popularity of the civil society or what is commonly thought of as ‘the people’ (Sanyal, 1994). Up until the 1970’s the community was a catalyst for development activities of the state and state in turn was to consolidate new communities as they emerged with industrialization and urbanization. As indicated earlier, Peter Gutkind (1968) first put forward the idea that the community could be in conflict with the state as a result of industrialization and urbanization. This notion of the state and the community as being antagonistic grounded itself around the 1970’s partly because of the ‘new’ social movements literature coming from North American and French social scientists (Sanyal, 1994).

The ‘new’ social movement literature however distinguished its mission from the earlier mentioned neo-liberal project. Whereas the neo-liberal project sought to restore the nonpolitical, noncontingent and uncontestable foundations of civil society (such as property, the market, the work ethic, etc) in order to safeguard a more restricted—and therefore a more solid sphere of state authority and no longer overloaded political institutions, the politics of new social movements, by contrast, sought to politicize the institutions of civil society in ways that are not constrained by the channels of representative-bureaucratic political institutions, and thereby to
reconstitute a civil society that is no longer dependent on ever more regulation, control and intervention. In order to do the same, institutions of civil society were required to be politicized through practices that belonged to an intermediate sphere between ‘private’ pursuits on the one hand and institutional, state-sanctioned modes of politics, on the other (Offe, 1985).

Thus the basic theme of this literature was that ‘new’ social movements were a symbol of ‘the people’s’ resistance to state encroachment and this resistance cannot be expressed through conventional political institutions, such as political parties, because such institutions act as cohorts with the state to impose a hegemonic ideology of progress which justifies state encroachment of people’s lives (Offe, 1985).

While literature against governments and their failure to deliver to the poor abounds, it is difficult to come across literature pertaining to the relationship between UIS and the state in particular. Here a majority of the literature focuses on the politics of urban squatters. John Turner’s research in Peru is perhaps the most influential in this regard. Turner argued that governments of poor countries had accomplished very little in terms of housing the poor despite resources at its disposal, while ‘the people’ had done so much with so little (Turner, 1976). Thus Turner’s argument running close to the social movement literature reinforced the notion that of ‘the people’ as being a counter force that if liberated from the oppression of the state could develop the productive potential of poor countries (Sanyal, 1994).

As a cumulative result of the neo-Marxist, neo-liberal and social movement literature, the autonomy of ‘the people’ from the state came to be regarded as a vital precondition for development (Freidmann, 1988). The top-down model of development was criticized for creating institutions that instead of fostering development hindered the same. While the state was the
primary target of criticism, all dominant institutions like established political parties and unions of organized labor were not excluded from the same. An alternative paradigm of 'development from below' to be spearheaded by non-governmental organizations became the fashion of the 1970's. Again for the sake of maintaining the autonomy of 'the people' from the state, these organizations were required not to work jointly with the state since the former would either be controlled or co-opted by the state losing their legitimacy and effectiveness.

Thus mainstream political processes were associated with control, dependence, bureaucratization, regulation, etc. Accordingly, the bulk of conventional wisdom argued that quintessential to achieving positive outcomes for the UIS poor was the practice of autonomy of groups representing the latter from dominant social institutions such as unions of formal sector workers, political parties and the state.

4.5 The UIS and public policy in historical perspective: Credit

The evolution of credit as a policy targeting the UIS is closely linked to conventional interpretations of the relationship between the UIS and dominant institutions and the relationship between the UIS and governments in particular.

By early 1970, almost two decades had passed but the theoretical predictions of the Lewis model failed to materialize. Development failed to trickle down. Consequentially from the 1950s into the 1970s analytical emphasis was on probable tradeoffs between growth and income distribution. Fishlow (1972) based on his research in Brazil, first pointed out that inequality in
this country had increased despite high levels of growth, thereby suggesting a growth versus equity trade-off.\(^{57}\)

In the 1970s emphasis shifted to the identification of re-distributive mechanisms to reduce poverty without hampering growth. The focus among academics and practitioners of development moved toward poverty alleviation to an extent much greater than before (Tendler, 1989)\(^{58}\). This was partly because at that time the subject had gained prestige in the field of development economics. Underlying this shift in academic focus was one powerful institution, the World Bank, which decided to invest large amounts in research on the relation between growth, policy and income distribution (Tendler, 1989, Sanyal, 1994). At this time, Hollis Chenery, the chief economist at the World Bank together with his associates published the seminal book *Redistribution with Growth*. While recognizing a need for direct action aimed at alleviating poverty, *Redistribution with Growth* emphasized that policies of wealth redistribution must still be consistent with and conducive to programs to promote growth (H. Dagvdeviren, R. Van der Hoeven, J. Weeks’ 2000).\(^{59}\)

However such flowering of pro-distribution arguments of the 1970s, when the term UIS was first used, was short-lived. This focus was abandoned with the rise of neo-liberalism and the *Washington Consensus* in the early 1980s. In the Consensus approach and its prescribed

\(^{57}\) Later in 1975, Adelman apointed out that there was not only a curvilinear relationship between the levels of growth and inequality but also a significant negative relation between the levels of growth and inequality. See, I. Aldelman (1975), "Development Economics: A Reassessment of Goals", *American Economic Review*, Vol. 65, No.2.

\(^{58}\) Again in the late 1990s the bilateral and multilateral development agencies came to place increasing emphasis on poverty reduction in developing countries. (See, for example, the discussion of targets in DFID 1997). It would appear that there was some controversy over this emphasis within the World Bank. In June 2000, the convenor of the World Development Report, Ravi Kanbar, resigned from his participation in the report. Press reports attributed this to internal disagreements over the relative emphasis to place on growth and redistribution (see *The Financial Times*, 15 And 16 June 2000).

\(^{59}\) For a comprehensive review of studies on the relationship between growth, poverty and inequality see, H. Dagvdeviren, R. Van der Hoeven, J. Weeks; (2000); *"Redistribution Matters: Growth for Poverty Reduction"*: International Labour Office.
structural adjustment programs, macroeconomic indicators such as export earning, GNP growth rates were of primary concern. Yet, popularity of a micro level phenomenon such as the UIS not only remained compared to the earlier decade but also increased. The prevailing argument of the 1980’s was that the UIS had to be supported if structural adjustment was to be achieved in a humane way (Sanyal, 1988).

This new interest in the UIS on the part of macro-economist created a momentum within the development community in support of UIS policies. While these policies differed in content and scope, they were based on three important assumptions. Each of these assumptions in retrospect fit well within the context of the prevalent development paradigm and wisdom on the relationship between the UIS and dominant institutions.

First: the UIS had done well in generating employment and income not only despite government support but also despite frequent harassment by the government. This assumption would have its roots in how the relationship between the UIS and the government was portrayed, as discussed earlier. Second: UIS firms should grow in size, capital investment and new technology use to eventually look like large-scale formal sector firms. The overriding concern here was with “evolutionary growth of the UIS”60. This assumption seems to gel well with the growth obsession that was prevalent in the Lewis model, next, prevalent to a lesser extent in the Redistribution with Growth paradigm and perhaps to the greatest extent with the Washington Consensus approach. Following the logic of the first and second assumption is the third assumption that stated that the UIS firms should be provided with assistance to overcome internal and external constraints.

60 The term “evolutionary growth” means an increase in the productivity, employment creation, and average income of the UIS participants. Without increases in productivity and average income, a simple increase in percentage of the labor force in the UIS would result in “involutionary growth” in this sector. See, B. Sanyal (1990).
Off all the policies in favor of the UIS that rolled out of these assumptions, the external constraint that received most attention (next only to biased government policies) from international aid agencies was a lack of access to credit (Grindle, Mann, Shipton, 1989). Credit or finance in general has and is always considered one of the strategic factors that determines the pace and pattern of socio-economic development. It facilitates and stimulates the development process (Hicks, 1965).

Credit specifically to the UIS became the most important policy interventions for several reasons. Ideologically, emphasis on credit to the UIS bode well with the prevalent paradigm of 1980’s “development from below”. With this paradigm, emphasis shifted from large-scale projects, central to the top-down model to small scale, bottom-up projects that directly involved the urban and rural poor in income generating activities. Subsidized credit was easily made available to these families for starting small business enterprises (Grindle, Mann, Shipton, 1989). The central assumption here was that access to credit was considered most important by UIS entrepreneurs since they were unable to receive the credit from formal sources. This in turn justified intervention in the form of increased access to credit for the UIS.

Theoretically, the transactions cost literature\textsuperscript{61} and associated models of market failures arising from asymmetrical information were put forward to justify such intervention. For instance the Stiglitz-Weiss model (1987) argued that there was a case for intervention in the

\textsuperscript{61} The central theme of this approach is that: the lower the transaction costs associated with a particular contractual assembly of inputs, the more likely selfinterested individuals will choose that method of organizing production. Literature on the transactions cost approach first appeared in 1937 in Ronald Coase’s seminal article: “The Nature of the Firm,” \textit{Econonmica}, 1937, 386-405. This approach again came to the forefront in the 1980’s with the work of authors such as Oliver E. Williamson and then in the 90’s it became on of the central elements to the New Institutional Economics approach, most closely associated with Douglas C. North. See for instance, Williamson, Oliver E., (1981), “The Economics of Organization: The Transaction Cost Approach”, \textit{American Journal of Sociology}, No. 3, 548-577. North, Douglass C., (1990) “Institutions, Institutional Change, and Economic Performance”, New York: Cambridge University Press.
presence of adverse selection, which occurred when lenders do not know particular characteristics of borrowers; for instance a UIS borrower may be a high risk customer given low income and inadequate collateral.\textsuperscript{62} Lender's profit maximizing response to such a situation may be to reduce the amount they lend. Thus informational asymmetries could result in too little investment in the economy or credit could be rationed thereby indicating the presence of inefficiency\textsuperscript{63}.

Thus while (the now arguably) causal link between UIS and poverty alleviation would serve to justify credit policy on grounds of equity, models like the above justified intervention in the form of credit on grounds of efficiency. Accordingly, it may be argued that credit, as a policy would bode well even with the most extreme of neo-liberals placing a high premium on market efficiency.

Theoretical and ideological reasoning apart, there were several reasons why credit came across as an attractive policy option for donor agencies to pursue either directly or indirectly through various voluntary or non-governmental institutions. For instance, practical pilot studies showed that credit policies did not need large amounts of resources to be implemented, a finding which in times of acute scarcity of resources was very appealing. Capital labor ratios in UIS activities were low and the financial support required usually involved small amounts, which,

\begin{itemize}
\item[62] Other reasons why formal sector institutions may fail to provide credit to the UIS would include: high administrative costs of lending a large number of small loans typically required by UIS clientele; inability amongst UIS entrepreneurs to complete necessary paper work for loan approval due to illiteracy; loan repayment terms were typically fixed while income of UIS entrepreneurs was subject to fluctuations; banks were widely dispersed and this increased travel costs for UIS clientele. All these factors, was argued to increase transactions cost of lending to the UIS and hence result in a rationing of credit to this sector in the absence of intervention.
even if the program reached a large number of units, would involve fewer resources than alternative support for the modern sector (Levitsky, 1989).

Second, many resource institutions were convinced that they must offer credit if they are to attract clients. Even programs, in which credit was not a central ingredient, made capital available to their clients as an incentive for them to benefit from the other services (Grindle, Mann, Shipton, 1989). Such reasoning was of importance in our case study where we will see that SEWA used its credit scheme as an important means to rope in more trade union members in turn generating more trade union financing. Lastly, credit was expected generate income for institutions, allowing them to sustain themselves more effectively. Thus, even where resource institutions emphasized other services, they believed offering credit would enable them to support these activities more effectively (Grindle, Mann, Shipton, 1989).

More recently several studies have been more critical on the impact of credit on the UIS\textsuperscript{64}. This vast volume of literature has added to our understanding of how and when credit may have a positive impact on UIS outcomes. This said, its predominance as a policy targeted towards the UIS continues to remain.

Chapter 5: Confronting Theory with Practice

The chapters this far provide an overview of conventional wisdom on the relationship between the UIS and dominant social institutions. Chapter 2 laid out the contextual framework for the case study on SEWA. Chapter 3 laid out the story of SEWA’s birth and growth attempting to tease out details regarding the relationship between SEWA each of the dominant institutions of the government, political parties and unions of formal workers. Chapter 4 described in detail the evolution of conventional theory on the relationship between the UIS and dominant social institutions. This concluding chapter revisits this theory in light of SEWA’s story discussed in chapter 3 with the purpose of providing answers to questions raised in the introductory chapter:

1. What was the nature of relationship between SEWA and the government, SEWA and formal sector trade unions, SEWA and established political parties that emerged during SEWA’s campaign for minimum wages and credit?

2. What were the explanatory variables that would account for whether and why mainstream political processes through the above three institutions would work with SEWA to secure more positive outcomes for the self-employed?

5. Were there any differences in the explanatory variables determining the relationship between SEWA and the three institutions in each of its campaign for minimum wages and credit? How can these differences be explained?

6. What lessons can we draw regarding the political relationship between the UIS and these three institutions on the basis of SEWA’s experience? More importantly, how replicable are these lessons learnt from SEWA’s experience?
5.1 Confronting theory with practice

As described in Chapter 4, according to conventional theory the relationship between formal and informal sectors as dualistic, where even if the level of antagonism between the sectors was not much, UIS groups would fear that joining forces with formal sector unions would result in them being swallowed up and used without any concrete assurance that their interests would be articulated by formal unions. The same was assumed in the case of other institutions at the top like established political parties. Here wisdom maintained that organizations representing interests of the UIS poor must avoid alliances with established political parties. Such political alliances would jeopardize autonomy of the representing group (whether informal sector trade union, PVO or NGO) from advocating its own agenda. Further, remaining apolitical and non-aligned would protect the UIS group from political instability caused due to a political regime change, which is often observed in developing countries (Sanyal, 1994).

In the case of governments and their development efforts, grievances were many as theorized by neo-Marxist, neo-Liberals and the New Social Movements literature. In terms of the UIS in particular, by the beginning of the 1980’s scores of books, articles and reports blamed Third World governments for failing to create enough formal employment and for treating the informal sector as a transitory phenomenon, as if it was going to disappear with industrialization. National governments were accused of preferential treatment of formal sectors that were given access to cheap credit, imported technology and markets all of which were denied to the informal sector.

Following the above line of thinking, popular literature on SEWA both published in the early 1980’s, 1990’s and even as recent as 2001, portrayed SEWA as a union for the self-employed ‘struggling’ against repressive and regressive individuals and institutions at the ‘top’. The latter not only included traditional exploiters such as the moneylenders, private sector industries and firms but also established political parties, formal sector unions (the TLA) and the government. If SEWA’s association with these institutions in the top was acknowledged, this was done and continues to be done so only in passing66.

In its birth, SEWA perhaps worked most closely with its parent, formal sector trade union the TLA, as compared to the two other institutions, the government and established political parties. Although not unequivocal, the idea of starting a separate union for self-employed women received TLA support and strongest support from the TLA president, Mr. Buch. The explanatory variables for such support included socio-economic conditions following the decline of the textile industry in Ahmedabad that justified a separate union for self-employed women to the rank members of the TLA, as argued in chapter 3. Politically, the president of the TLA saw SEWA as a large constituency of poor women whom he could use against the opposition ruling party. Also with the decline of the textile industry and large-scale labor retrenchments, it was in the interests of many file members in the TLA to have a union supporting their self-employed wives, often the sole bread-winners in their families.

On the topic of formal-informal sector relationship, it is interesting to note a characteristic of large-scale people’s movements that began in India at the regional level in the late 1960’s. The main issues concerning these movements included providing protection for

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66 See Sebstad (1982). For more recent popular literature that fails to acknowledge SEWA working closely with institutions at the top see Rose (1992); Dayal (2001); Chen, Jhabvala, Lund (2001).
unorganized workers in the form of minimum wages and social security. Further, these movements had strong backing from formal trade unions, which were in turn supported by political parties at the state level (Raghunath, 2001). Such findings are consistent with more contemporary research on the UIS which now finds an overlapping of interests between both sectors when there are non-trivial numbers of households engaging in both informal and formal sector activities (King 1990).

As SEWA grew, relations with the TLA were officially severed in 1981. Nevertheless, SEWA’s reputation as having originated from a respected Gandhian union such as the TLA held SEWA in good stead with various institutions and individuals within the government, as was seen in both SEWA’s credit and minimum wages story.

The TLA supported SEWA in its credit initiatives. However in this story, the driving forces came from the political climate in India and in particular from one political party, the Congress I. The Credit Guarantee Scheme initiated under Mrs. Gandhi’s ‘garibi hatao’, (abolish poverty) election platform and the political pressure imposed on nationalized banks to make disbursements under this schemes enabled SEWA to act an intermediary in delivering credit. Having thus gained initial exposure to banking operations, SEWA was better placed to start its own bank in 1974\textsuperscript{67}.

It should be noted that SEWA was not the only organization that took advantage of the CGS scheme in the 1970’s. The Working Women’s Forum is another voluntary organization established in Chennai city in the South Indian state of Tamilnadu in 1978. Since its inception,

\textsuperscript{67} Tendler (1989) analyses six organizations that had a significant positive impact on poverty alleviation and traces traits that are common to all these organizations. Four of these six organizations started out providing credit. Further, all four organizations of which SEWA is one, started out acting as credit brokers, providing their clients with access to existing financial institutions rather than lending from their own funds.
the WWF organized women into small neighborhood loan groups and like SEWA acted as an intermediary between loan groups and nationalized banks under the CGS with a loan recovery rate of over 97 percent (Noponen, 1990). There were several similarities between these two organizations including the fact that both organized over 15,000 women around, initially, the women’s need for credit and organized only existing female producers and enterprises in the organized sector. However, more interesting to this research is the fact that both these organizations maintained strong associations with institutions at the top. While SEWA’s beginnings are traceable to the Women’s Wing of an established formal sector trade union, the TLA, WWF’s beginnings are traceable to the Women’s Wing of an established political party, the Congress I.\footnote{See Chen (1984) for a comparative study on SEWA and WWF.}

In the telling of SEWA’s successful credit story another explanatory variable that, contrary to receiving due merit, has been severely de-merited, is the role of government regulations. As mentioned in chapter 4, government regulation features high on the list of criticisms hurled at Third World Developmental states. According to Neo-liberal theorizing excessive state regulation in Developmental states such as India distorted the incentive to invest and stifled growth in formal and informal sectors. With respect to banking and interest rates in particular, McKinnon and Shaw published their seminal ‘financial repression hypothesis’ in 1973. According to this hypothesis, government policies repressing the rates of return to financial assets, reduced people’s incentives to hold financial assets and hence slowed economic development (McKinnon, 1973; Shaw, 1973; McKinnon, 1986).

The CGS was one such government regulation that, without allowing for any discretion, forced nationalized banks in India to lend to ‘weaker sections’ at differential interest rates.
Regulation in terms of precise percentages of loan portfolios to be disbursed by nationalized banks together with political pressure from the central government, forced banks to lend to the poor. SEWA’s own efforts at organizing self-employed women, helped complete implementation of this scheme with credit reaching the target beneficiary, i.e. ‘weaker sections’. Thus as the removal of all regulations becomes the mantra in a post-Washington Consensus world, banks are being de-nationalized in post liberalized India. SEWA’s case would however emphasize on the need to investigate how and why each regulation was enacted, who supported it, who opposed it and if the composition and interests of these groups have changed enough over the years to alter the levels of support and opposition to the regulation (Sanyal, 1990).

Neo-liberal theorizing attributed the above-mentioned regulatory environment to “rent-seeking” motivations of bureaucrats where regulations to restrict free market access are created first, followed by a charge of rents for providing access to selected few who paid such “rents”. Explaining such irrational policies, the neo-classicals, argued was the Rational Choice model where what appeared to be economically irrational policies were politically and economically rational for state actors to adopt (Sanyal, 1994). Challenging this conventional notion that homogenizes all government workers as purely self-interested, is the case of one of the individual ministers and two bureaucrats associated with SEWA’s minimum wage story.

SEWA’s minimum wage campaign for garment workers has been described by popular literature on SEWA as a ‘struggle’ against institutions at the top. SEWA’s persistent efforts at organizing these women and its eventual success in extending minimum wage cover for these women has attracted significant publicity both domestically and internationally. However support for SEWA’s cause from Minister’s such as Sanat Mehta and bureaucrats such as the then
Secretary of Labour and Labour Commissioner remains unsung. The re-telling of SEWA’s minimum wage campaign showed that these actors of the ‘top’ came to their jobs with commitment, cared about their countries well-being, were aware and critical of the inefficiencies within the governments, were appreciative of SEWA’s efforts at organizing the poor, were not preferential in protecting organized interests of garment dealers and made demands on the government on SEWA’s behalf, thus facilitating social reform (Sanyal, 1990).

Thus, as SEWA grew, the overall political climate in India resulted in policies that were of a redistributive nature under Mrs. Gandhi’s umbrella electoral platform of ‘garibi hatao’. SEWA was in a position to take advantage of such policies by acting as an intermediary in distributing loans to poor and next as a bank in itself, given its reputation and organizational skills. In the case of one such redistribute policy: minimum wages for the self-employed, SEWA countered resistance coming from private traders. SEWA nevertheless was successful in this campaign importantly because of support its cause received from individual actors within the government.

The above said, analyzing the details of SEWA’s credit and minimum wage story shows that government support for SEWA was more forthcoming in the case of credit as compared to its minimum wage campaign. The specific nature of credit and minimum wages as policies, would explain this difference in government support for each of these individual policies. As mentioned in chapter 4, economic theory predicts that risk associated with providing credit in general and particularly to the UIS, could result in credit being rationed to this lot of the population. Banks in India in the 70’s, were on the one hand aware of risks associated with lending to the UIS while on the other hand they faced political pressure from the central
government to lend to the UIS. Juxtaposed against such factors, channelizing credit through SEWA to its network of organized UIS members meant that the government now had an agent to socialize risks associated with lending to the UIS poor.

In the case of minimum wages, there was, firstly, no such economic risk associated with it as a policy as compared to credit. Politically, given the redistributive nature of minimum wages, the Gujarat state government was on the one hand subjected to pressure against providing minimum wage cover for garment makers coming from the elite mill owners. On the other hand the state government was not subjected to any countervailing and overarching central government pressure as was the case with SEWA’s credit experience. Such economic and political qualities associated with credit and minimum wages as distinct policies are important factors in explaining why government support was more forthcoming in the case of SEWA’s credit experience as compared to its minimum wage campaign.

Looking at credit and minimum wages as distinct policies also throws light on an intriguing aspect of SEWA. Policies such as minimum wages for the self-employed or a Commission for the self-employed, represent a classic public goods phenomenon where, by definition, SEWA cannot internalize externalities associated with such policies for its members alone. Why would SEWA then, defy economic logic and push for such policies? The answer to this question is that SEWA did pursue policies that would benefit its own members. Credit, one of the very first initiatives that SEWA undertook was made available only to SEWA members. In time SEWA Bank added to the list of services it offered such as social security and housing loans. These services were again were made available only to union members. This said, with each of its own success, the organization lent legitimacy to the larger cause of all self-employed
poor women in India. For instance, SEWA Bank began offering social security services for its own members beginning with a Maternal Protection Scheme in 1978. Based on SEWA’s own experience and suggestions the government created a national level maternity benefit scheme for poor women in 1989 (Sanyal, 1990).

Thus the re-telling of SEWA’s story during its birth and growth describes how SEWA worked with each of these institutions at the ‘top’ either in cooperation with them or at the very least never explicitly challenging them. SEWA’s relationship with each of these institutions then is more of a gray area than a strictly black and white area, as suggested by conventional literature.

5.2 Contemporary SEWA and the government

The purpose of this research was to re-visit the origins of an organization working for the UIS poor with the intention of determining the nature of relationship between dominant institutions and the UIS. Since its inception in 1972, SEWA has grown in number and diversity of services it provides for the UIS poor. Acclaim for SEWA comes from within India and internationally. Contemporary SEWA however continues to work closely with dominant institutions and various arms of the state in particular. Providing an instance of contemporary SEWA-State relationship is a low-income housing initiative that began in 1994. This initiative has SEWA partnering with the Housing and Urban Development Corporation (HUDCO), a Government of India Enterprise (http://www.hudcoindia.com/).

HUDCO is a technical and financial institution working in the area of human settlements. In 1970 HUDCO became a fully owned Government of India Enterprise, with the mandate to improve housing conditions of the low-income groups (LIG) and the economically weaker
sections (EWS) of society, by providing long-term finance for house construction and related projects (http://www.hudcoindia.com/). HUDCO earmarks a minimum of 55% of its annual overall loan allocation for EWS and LIG families and the remaining 45% for middle and higher income groups, rental and commercial housing projects. Traditionally, HUDCO channeled funds for its target groups through State Housing Boards, Rural Housing Boards, Municipal Corporations, Slum Clearance Boards, Water Supply and Sewerage Boards and Improvement Trusts. Voluntary organization such as SEWA had no direct access to HUDCO loans.

HUDCO’s existing intermediaries, the State Housing Boards, however could meet disbursement targets without any concern for actual field recovery rates. This was possible due to the system of State Guarantees to HUDCO, which assured that State Housing Boards repaid all loans regardless of actual recovery rates. Unofficial figures indicated field recovery rates were as low as 15 to 20% in many states, including Gujarat where SEWA is headquartered. HUDCO, aware of this shortfall began considering alternative channels for intermediation of funds (Ghatate, 1999).

Meanwhile, as SEWA and SEWA Bank saw an increase in their clientele (as was described in chapter 3) the need to provide housing finance was felt most importantly because the Bank’s self-employed clientele used their homes as their work place (www.sewabank.org). In 1989, SEWA Bank had tried to implement the SHASHU scheme (housing component) under

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69 SPARC (Society for the Promotion of Area Resource Centers) a non-governmental organization based in Mumbai tried to access funds directly from HUDCO for a community relocation scheme, but were asked to provide a bank guarantee as security for the unsecured loan. SPARC was successful in convincing a Northern NGO, the Belgian Foundation, SELAVIP- Servicio Latino Americano y Asiatico de Vivienda Popular- to provide HUDCO with a bank-guarantee for the entire loan (Mukhija, 2002).
Nehru Rozgar Yojana (NRY) Programme of the Government of India\(^7\). However SEWA Bank decided not to implement this scheme since the loan amount was inadequate while requiring SEWA to make substantial human resource commitment (Cities Alliance, 2002).

Two important factors acted as the driving force, bringing about a change in HUDCO’s lending policies, both of which are reminiscent of SEWA’s credit story. The first of these was central government legislation in favor of NGO’s acting as intermediaries in lending to lower income groups. Specifically, the National Housing Policy of 1989 emphasized the need to change the role played by state housing agencies from ‘builders to facilitators’, providing serviced land and finance, and enabling target groups to make their own decisions regarding the process, type and cost of house construction\(^7\). While there was widespread skepticism regarding the ability and will of the state organizations to make the structural and systemic changes required, this policy stressed the potential of Community Based Organizations (CBO) to act as agencies, thus encouraging a shift in focus by the state housing agencies (Ghatate, 1999).

In addition to this legislative precedent, three key individuals within HUDCO played important roles in incorporating changes its lending policies. This included the Chief Managing Director (CMD), the Chief Planner, and the Deputy Chief Community Development Officer. Each of these three individuals had, prior to HUDCO, experience in working with various Slum Improvement Boards around the country. They were aware of existing shortfalls in publicly

\(^7\) SHASHU stands for Scheme of Housing and Shelter Upgradation. It is a Central Government sponsored low-income housing scheme. NRY was launched in October 1989 by the Central Government in India. Its objective was to provide self-employment or wage-employment to the jobless urban poor. The NRY consists of three schemes: Scheme of Urban Micro Enterprises; Scheme of Urban Wage Employment; and Scheme of Housing and Shelter Upgradation (SHASHU) (http://parliamantofindia.nic.in/policy/inep1792.htm).

\(^7\) This change in policy was in line with international developmental advice of the late 1980’s. For instance, the World Bank, in an influential policy document, Housing: Enabling Markets to Work (1993), made two main recommendations. First, governments must refrain from intervening in housing and land markets and allow markets to function more efficiently. Second, housing must be treated as an economic, and not a social sector. In essence the document called for privatization of housing delivery (Mukhiya, 2002).
financed low income housing schemes and were aware that NGO’s could provide them with a vital source of information in improving the impact of such schemes.\(^\text{72}\) As the CMD remarked "SPARC, especially Sheela Patel, Sunder Burra and Jockin, along with Ela Bhatt of SEWA Bank, provided vital information to HUDCO regarding the housing and credit needs of the informal sector." Similarly, the Chief Planner in his prior experience with the state government of Kerala was involved with local NGO’s in the provision of 100,000 low-income housing. He remarked “it was here that he became convinced of the role of NGO’s in shelter delivery” (Ghatate, 1999).

At the behest of these three officials, HUDCO’s training and research department, Habitat Polytech, published a theme paper entitled “Composite Credit Mechanisms for the Urban Poor”, involving detailed discussions with NGOs/CBOs on the credit needs of the poor and appropriate delivery and recovery mechanisms. This report broadened HUDCO’s exposure to, and understanding of, the target group and the intermediary role played by NGOs. Following this paper, HUDCO was ready to present a Board Note with detailed information regarding the proposed policy change. Finally in October 1993, the Board of Directors of HUDCO approved the "NGO Lending Scheme for the Urban Poor" (Ghatate, 1999).\(^\text{74}\)

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\(^{72}\) Economists subscribing to theories of comparative advantages would argue here that the government is supposed to be best suited for policy formulation and implementation of large scale projects and policies. While NGO’s lack these qualities, their comparative advantage lies in their ability to ‘reach’ citizens who are beyond the reach of the government. See Cernea (1988) and Fowler (1988) for instance.

\(^{73}\) Sheela Patel is the Director of SPARC. Mr. A. Jockin is the President of the National Slum Dwellers Federation. Mr. Sunder Burra is an Officer of the Indian Administrative Service on voluntary deputation to SPARC.

\(^{74}\) No guarantee is required on direct loans made to NGO’s. In terms of direct lending criteria, HUDCO will receive and consider application for loans for construction of houses, upgradation, repairs and additions to existing houses for the EWS through Voluntary Agencies or Non-Governmental Organisations (NGO’s). NGO’s must have the experience of undertaking integrated community development programmes for the minimum period of 3 to 5 years with actual loan recovery performance during the last 3 years of at least 75%. The NGO’s seeking HUDCO’s loan assistance should preferably have some experience in shelter sector programmes (http://www.hudcoindia.com/prog.htm).
As a result of this policy change, funds from HUDCO now finance a part of SEWA Bank’s principal housing finance loan ‘Paki Bheet’ (permanent walls)\textsuperscript{75}. It is interesting to note that the cost of capital on HUDCO-financed loans is higher for SEWA than what SEWA Bank pays for client deposits, and the interest rate is lower than what it charges clients for non-HUDCO housing loans (Cities Alliance, 2002). Yet, SEWA continues to maintain its relationship with HUDCO, which would in turn imply that this relationship is important to SEWA from a political perspective. Thus SEWA’s experience with HUDCO shows that contemporary SEWA continues to work closely with dominant institutions and the Indian government in particular.

To be sure, there are differences in the manner and extent to which SEWA worked with each of these dominant institutions in all the above stories. Also these relationships themselves are dynamic. For instance, contemporary SEWA works closely with HUDCO in the housing initiative described above. In an earlier period (1979), SEWA campaigned to recognize the right to vend as discussed in chapter 2. SEWA campaigned to protect women vendors against other private interest in the market and harassing police authorities. In addition, this campaign also saw SEWA and its vendors ‘fighting’ to protect their vending space from a proposed acquisition by HUDCO (Rose, 1992). As Ela Bhatt remarks “for two years the women were on strike, keeping night vigil – living and sleeping in mosquito net tents, trying to protect their vending space from the proposed acquisition by HUDCO” (http://www.india-seminar.com/2000/491.htm). While SEWA in the 1970’s was still a nascent organization earning its reputation atleast initially from its association to the TLA, today SEWA and Ela Bhatt have acquired international stardom. It I

\textsuperscript{75} HUDCO loans are used to finance unsecured housing loans at an interest rate of 14.5% per annum while SEWA uses its own funds to finance secured loans at an interest rate of 17% per annum (Cities Alliance, 2002). Also note that officially HUDCO lending to NGO requires no guarantee (foot note 73). Nevertheless, since SEWA is licensed by the RBI, the latter would guarantee deposits for SEWA (see, chapter 3).
conjecture that perhaps the change in SEWA-HUDCO relationships is attributable to this change in SEWA's own reputation. This example nevertheless shows that the nature of relationship between dominant social institutions and SEWA could and have changed with SEWA's birth, growth and contemporary status. Contextual specificities of time, place, person, issue at hand, etc would importantly drive this change in the nature of relationship between SEWA and each of the dominant institutions considered here.

The above said, there are variables that explain the positive relationship between SEWA and dominant social institutions that are common to all the stories. These explanatory variables would include progressive legislation coming from the central government and individuals within the bureaucracy committed to social reform. In the case of SEWA's birth, the Trade Union Act, 1926, was flexible enough to incorporate the registration of a trade union for the self-employed. Next, the Labor Commissioner at the central government allowed for the eventual registration of SEWA, the union. In the minimum wage story, minimum wage legislation had already begun covering the self-employed (for instance, in the case of covering head-loaders in Mumbai in 1968) when SEWA campaigned for inclusion of homemade garment makers in the Minimum Wages Act. In this story, however the predominant role in supporting SEWA came from individual ministers and bureaucrats within the government. Next in the credit story, central government legislation in the form of the Credit Guarantee Scheme enabled SEWA to act first as

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76 Individual states have also introduced progressive legislation covering the UIS. The state of Kerala is one state that has historically constituted and successfully implemented legislation for the UIS like the Beedi and Cigar Workers (conditions of Employment) Act, 1966. Heller (1999) argues that in contrast to high levels of social mobilization in developing countries that necessarily overload fledging democratic institutions, class based mobilization in Kerala has actually institutionalized democracy and made it work better. The roots of such strong mobilization lie within the strong network that existed between the trade union movement and the political party at the state level.

77 In the early 1960's head-loaders in Mumbai stopped working on a number of occasions to force public authorities to intervene in the spiraling conflict with their employers regarding their payments. The result of this arbitration amounted to a formalization of the working conditions of this loosely structured occupational group under a law that was enacted by the Government of Maharashtra in 1968, Breman (1996).
a credit broker and then as a bank in itself. Lastly, as the narrative on contemporary SEWA shows, here again progressive legislation and individual officers within HUDCO, a government enterprise, enabled SEWA Bank to provide housing loans.

5.3 Lessons learnt

Having thus established and described how SEWA worked closely with the government, political parties and trade unions of formal workers during its birth, growth and in more contemporary times, the question that next arises is if SEWA is a representative case. To be sure, SEWA is not a representative organization. It is one amongst few successful non-governmental organizations that operates mainly in one of the more prosperous states in India with membership involved in regionally specific economic activities (Tendler, 1989; Sanyal, 1990). Most of the support that SEWA received from dominant institutions can be tied to contexts: economic, social and political attached to specificities of people, place, space and time.

The above said, there is one general lesson SEWA provides. This lesson centers on SEWA’s model for organizing, which went beyond traditional pluralist models of organizing. As the stories of SEWA’s birth and growth showed, SEWA’s ‘model’ for organizing was based on building temporary and strategic alliances. SEWA historically used this ‘model’ which was one of the factors that lead to SEWA’s success. In the era of structural adjustment that began in the 1980’s and within the broader process of globalization, the weakening of labor politics and declining importance of trade unions is perceived by and large as a fait accompli (Jenkins, 1999; RoyChowdhury, 2004). However, adopting a strategy along SEWA’s lines could make the key difference to organizations working with the UIS poor, if these organizations are to significantly

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78 Banuri and Amadeo (1991) describe the pluralist model as “organized labor in a somewhat dependant situations; labor groups wield power only through alliance with other indentifiable political groups, most importantly established political parties or ethnic groups.
influence local and national policy. From my visit to India and informal communications with academics in India working on the UIS and labor movement, it is clear that new and more broad based alliances are being developed to address issues concerning the informal sector. One of the most vocal alliances- National Campaign for Central Legislation for Construction Workers (NCC-CL) was formed in 1998 to address issues concerning the implementation of minimum wages and other social security measures for the construction workers in India.

One such exercise in alliance building that appears to offer much hope for the UIS poor in India, grew out of the initiatives of independent trade unions and academics engaged in the field of the UIS research during the period 1991-1995. This forum is the National Center for Labour (NCL). The NCL is the apex body of independent trade unions working in the unorganized sector of labor, registered under the Indian Trade Union Act, 1926. The NCL sees itself as a membership based organization, transcending political party affiliations. Trade union associations, cooperatives, federations and confederations of unorganized labor that agree with the aims and objectives of the NCL are welcome to seek affiliation (Venkata Ratnam, 1999). Through its constituent members the NCL currently represents the interest of workers in a wide range of industries and has about 6,25,000 membership spread over 10 states in India (RoyChowdhury, 2004).

The broad alliance that NCL represents has already generated euphoria in certain sectors. The NCL perceives its functioning at three levels of activism; the first, where everyday struggles and the question of local empowerment is directed towards introducing better living conditions in slum areas; the second, where its constituent units are engaged in issues which affect particular sections of the unorganized workforce such as construction workers or women workers.

79 Independent trade unions are trade unions that do not explicitly seek affiliation with any political party.
in garment export industries. Finally, through lobbying at the level of state and national
government the NCL is seeking to bring about legislation aimed at providing social security for
unorganized workers as a broad category. However to date NCL has only focused on issues over
the first level including periodic visits to Slum Boards, sit-in-strikes, organizing protest for
improvements or provision of civic amenities such as housing and sanitation. Accordingly, the
fear remains that NCL’s concerns would remain largely localized in terms of the potential impact
of its activities (RoyChowdhury, 2004). NCL, a nascent organization offers scope to broaden and
strength its alliances. Several national centers of trade unions haven’t been bought into the
alliance. SEWA here could again provide a lesson. For organizations like SEWA that claim to
be apolitical, the selective and temporary ties with formal sector trade unions (as this story
showed) to make an impact on national policies (Sanyal 1991) was key to their success.
Similarly NCL could forge such ties to anchor itself within broader political formations to effect
a broad set of changes for the UIS poor in India.

Lastly, for planners, NGO’s and other groups representing the UIS poor, SEWA’s
experience seems to suggest two other lessons. Firstly, particular stages in the life-cycle of a
group representing the UIS would determine the nature of ties forged with dominant institutions.
For instance, in the case of SEWA, its affiliation with the TLA was a pre-requisite for its success
in the early stages of its birth and growth and to a lesser extent once SEWA acquired its own
credibility. Secondly, the nature of a particular policy or issue could itself determine whether,
when and how forging alliances with dominant institutions may be called for. This was seen in

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80 National trade union centers would include unions that claim to represent workers interests at the national level. They have some affiliation (explicit or implicit) to political parties at the national level. These would include unions like Indian National Trade Unions Congress (INTUC) owing allegiance to the Congress I, The All India Trade Union Congress (AITUC) owing allegiance to Communist Party of India, Centre of Indian Trade Unions (CITU) owing allegiance to Communist Party of India (Marxist) (presently ruling two states - West Bengal and Tripura in India), and Hind Mazdoor Sabha affiliated to International Confederation of Free Trade Unions, etc.
SEWA’s credit and minimum wage campaign where for reasons mentioned earlier, support from the government was more forthcoming in the former as compared to the latter.

**Conclusion: Vindicating the Indian State?**

As chapter 2 described, Indian planners recognized the existence, size and importance of the UIS as a source of production and employment as early as the Second-Five Year Plan. For reasons stated earlier, in the periods following the Second Plan, the UIS began to be primarily looked upon as a source of employment. Then again beginning from the late 1970’s and especially by 1985 when the Government of India began a process of economic liberalization, it had come to recognize the size, importance and persistence of the rural sector and the informal economy. The setting up of a number of Commissions to explicitly review working conditions in the informal economy reflected this official recognition (Chen, Jhabvala, Lund, 2001). Here SEWA played an important role in the setting up of the National Commission on Self-Employed Women and Women in the Informal Sector, as was mentioned in Chapter 2. While SEWA’s role was widely acknowledged in developmental and academic circles, the fact that the government responded favorably to SEWA’s cause by setting up a commission explicitly for the self-employed was dismissed as a populist move (Sanyal, 1990).

As mentioned earlier, in October 1999, the Government of India set up the Second National Commission on Labour (SNCL). The SNCL was given a clear mandate, firstly to suggest rationalization of existing laws relating to labor in the organized sector; and secondly to suggest "umbrella" legislation for ensuring a minimum level of protection to the workers in the unorganized sector. It is to be noted that Ela Bhatt was on the secretariat of this high powered commission and Renana Jhabvala, (SEWA, executive committee) lead of one of the sub-
committee's in the SNCL. The SNCL placed its report before the parliament on June 29, 2002
(www.laborfile.org).\textsuperscript{81}

Based on the recommendations of the SNCL, in November 2002, the Ministry of Labour,
proposed an Unorganised Sector Worker's Bill (www.telegraph.com).\textsuperscript{82} This was quite a
historical moment, both because of the immediate nature of response from the Labour Ministry
and the immensity of this legislation. The Unorganised Sector Workers Bill 2003 seeks to
provide universal health insurance, life insurance and old age pension benefits to a total of 370
million workers in the unorganized sector in the country. The bill also provides for the creation
of a welfare fund, mobilizations of workers to become its members and giving them social
security numbers and identity cards, among other things (The Hindu, December 20, 2003). The
central government discussed the possibility of raising funds required from an additional cess of
Re 0.10 per litre on petrol or by allocating the same amount out of the cess on roads for the
purpose. As recent as January 7, 2004, the "Unorganised Sector Workers Bill" was cleared by the
Union Cabinet, chaired by Prime Minister Atal Bihari Vajpayee (www.Indialnfo.com, January 6,
2004).

As I conducted this present research, much of the details of this bill, now a legislation,
were worked and re-worked on. As is to be expected, a lot of skepticism surrounds this
legislation. The implementational issues are enormous: Who is going to implement it? How will
it be financed? How will employers and UIS workers be identified? What about migrant
workers? Within the government itself, there exist doubts (Business Standard, September 27,

\textsuperscript{81} A copy of the entire report is available at http://labour.nic.in/lcomm2/nlc_report.html.
\textsuperscript{82} For the details of the bill see:
tor%20Workers%20Bill.pdf
2003). The State governments, for instance are skeptical that this legislation is only an example of progressive legislation originating at the center with the states having to meet the financial burden of implementing it. Outside the current government, opposing political parties at the center and state levels, the media and academic circles, as before, are calling this legislation a political ploy on the part of a government that faces general elections in April 2004.

The above doubts on the intentions underlying the Unorganized Sector Bill, 2003, are justified. However, this research on the basis of SEWA’s experience, cautions us against dispensing this bill as a mere political ploy. Before doing so, detailed analysis on all the individual and institutional actors involved in proposing and implementing this bill would be called for.

The objective of this research was to reconsider the story of SEWA’s birth and growth with the aim of constructing a more nuanced understanding of the relationship between the UIS and dominant social institutions. With respect to the state in particular, SEWA’s relationship with the former was not one of ‘struggle’ as suggested by published literature on SEWA, but one where SEWA worked closely with the government at various instances. Thus SEWA’s relationship with the state was more of a gray area rather than one of mere black and white as indicated by various theories that focused on the failure of the state and its developmental efforts. Accordingly as this literature hurled many grievances against the Indian state including those that accused the Indian State of co-opting efforts of “the people”, SEWA’s successes were attributed to SEWA’s ‘struggles’ against institutions in the top and more precisely to its exceptional leader Ela Bhatt. This research showed that SEWA’s successes were importantly a product of the role of the Indian state. At a macro level, the state provided a historical precedent
of progressive legislation while at a more micro level the state via its various arms, both institutions and individuals, supported and cooperated with SEWA. Both these factors played an important role in SEWA’s early success, as the minimum wages and credit story showed and continue to do so as, the housing loans story showed, for the contemporary and more reputed SEWA. Acknowledging this positive role of the State however, continues to remain as unfashionable today as it has been for decades before.
Appendix

Appendix 1: Selected Labour Laws applicable to the Unorganised Sector

<table>
<thead>
<tr>
<th>No.</th>
<th>Enactment</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Minimum Wages Act, 1948</td>
<td>To fix and revise minimum rates of wages in scheduled employments (There are 40 such types of scheduled employments)</td>
</tr>
<tr>
<td>2</td>
<td>Payment of Wages Act, 1936</td>
<td>To regulate payment of wages to certain classes of workers. It seeks to provide speedy and effective remedy to employees ... arising out of illegal wage deduction or unjustified delays in payment of wages. Wage periods and methods and modes of payment are also stipulated.</td>
</tr>
<tr>
<td>3</td>
<td>Contract Labour (Regulation and Abolition) Act, 1970</td>
<td>Seeks to regulate employment of contract labour in certain establishments and provides for registration of establishments engaging contract labour, licensing of contractors, provision of welfare and health amenities for contract workers and stipulation of liabilities of principal employers.</td>
</tr>
<tr>
<td>4</td>
<td>Inter-State Migrant Workmen (Regulation of Employment and Conditions of Services) Act, 1979</td>
<td>Regulates employment of inter-state migrant workmen and provides for their conditions of service, registration of principal employers, licensing contractors engaging such workers and lays down the manner of regulation of wages, provision of welfare and other facilities.</td>
</tr>
<tr>
<td>5</td>
<td>Bonded Labour System (Abolition) Act, 1976</td>
<td>Provides for the abolition of the bonded labour system so as to prevent economic and physical exploitation of workers, termination of liabilities to repay bonded debts, liberation of encumbered properties from encumbrance, and protection against eviction from house holds.....</td>
</tr>
<tr>
<td>6</td>
<td>Child (Prohibition and Regulation) Act, 1986</td>
<td>Provides for prohibition of employment of children in hazardous occupations and processes and regulates conditions of work in all others.</td>
</tr>
<tr>
<td>7</td>
<td>Children (Pledging of Labour) Act, 1933</td>
<td>Prohibits pledging of the labour of children</td>
</tr>
<tr>
<td>8</td>
<td>Beedi and Cigar Workers (Conditions of Employment) Act, 1966</td>
<td>Provides for welfare of workers in beedi and cigar establishments and regulates all conditions of work.</td>
</tr>
<tr>
<td>9</td>
<td>Welfare Cess and Fund Acts, covering workers in beedi industry, cinema industry and iron ore, manganese ore, chrome ore, limestone, dolomite and mica mines</td>
<td>Provide for collection of cess and creation of funds out of such collection to provide welfare for the respective categories of workers.</td>
</tr>
<tr>
<td>10</td>
<td>Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and Building and Other Construction Workers’ Welfare Cess Act, 1996</td>
<td>Regulate employment and conditions of service of building and other construction workers and to provide for welfare matters connected therewith or incidental thereunto.</td>
</tr>
</tbody>
</table>

Source: Annual report 1996-1997, Ministry of Labour, Government of India, pp. 8
Appendix 2: SEWA's membership in 2002

SEWA membership in 2002

<table>
<thead>
<tr>
<th>Membership in India</th>
<th>Membership in Gujarat</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,94,551</td>
<td>5,35,674</td>
</tr>
</tbody>
</table>


State-wise SEWA membership in 2002

<table>
<thead>
<tr>
<th>State</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gujarat</td>
<td>5,35,674</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>1,08,200</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>47,000</td>
</tr>
<tr>
<td>Bihar</td>
<td>1,635</td>
</tr>
<tr>
<td>Kerala</td>
<td>923</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>340</td>
</tr>
<tr>
<td>Delhi</td>
<td>759</td>
</tr>
<tr>
<td>Total</td>
<td>6,94,551</td>
</tr>
</tbody>
</table>


Worker category-wise membership in Gujarat in 2002

<table>
<thead>
<tr>
<th>Category</th>
<th>Members</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendors</td>
<td>39,456</td>
<td>7.00</td>
</tr>
<tr>
<td>Producers</td>
<td>40,518</td>
<td>7.00</td>
</tr>
<tr>
<td>Labour and service providers</td>
<td>3,14,242</td>
<td>58.60</td>
</tr>
<tr>
<td>Home-based workers</td>
<td>1,41,458</td>
<td>26.40</td>
</tr>
<tr>
<td>Total</td>
<td>5,35,674</td>
<td>100</td>
</tr>
</tbody>
</table>


Urban-Rural membership in Gujarat in 2002

<table>
<thead>
<tr>
<th>Location</th>
<th>Members</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>1,65,888</td>
<td>40</td>
</tr>
<tr>
<td>Rural</td>
<td>3,69,786</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>5,35,674</td>
<td>100</td>
</tr>
</tbody>
</table>

### Appendix 3: List of services offered by SEWA Bank

#### SEWA Bank - Savings products for members

<table>
<thead>
<tr>
<th>Savings Product</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current deposit accounts</td>
<td>-Earn 5% interest per annum</td>
</tr>
<tr>
<td>Fixed-term deposit accounts</td>
<td>-Rate varies with term of deposit (30 days to a 10 years)</td>
</tr>
<tr>
<td></td>
<td>-Include general and insurance related accounts</td>
</tr>
<tr>
<td></td>
<td>-Penalty for early withdrawal</td>
</tr>
<tr>
<td>Recurring deposit accounts</td>
<td>-Require regular deposits at established intervals</td>
</tr>
<tr>
<td></td>
<td>-Earn 10-15% interest per annum</td>
</tr>
<tr>
<td></td>
<td>-Targets major expenses such as education or celebrations</td>
</tr>
<tr>
<td></td>
<td>-Three sub-types: general, bhavis suraksha (10-15 years); riddhisiddhi (regular monthly deposits with annual increase in level of deposits)</td>
</tr>
</tbody>
</table>

*Source: Chen and Snodgrass, 1999*

#### SEWA Bank - Insurance products for members

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Level of Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sickness of policyholder</td>
<td>Up to Rs. 1,000</td>
</tr>
<tr>
<td>Natural death of policyholder</td>
<td>Up to Rs. 3,000</td>
</tr>
<tr>
<td>Accidental death of husband</td>
<td>Up to Rs. 35,000</td>
</tr>
<tr>
<td>Loss of household goods, house or work tools</td>
<td>Up to Rs. 5,000</td>
</tr>
</tbody>
</table>

*Source: Chen and Snodgrass, 1999*

#### SEWA Bank - Loan products for members

<table>
<thead>
<tr>
<th>Loan Products</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured loans</td>
<td>-Uses guarantors as “moral security”</td>
</tr>
<tr>
<td></td>
<td>-Intended for majority of members</td>
</tr>
<tr>
<td>Secured loans</td>
<td>-Required collateral, i.e. gold jewelry, fixed deposit savings, etc</td>
</tr>
<tr>
<td>Both loan types</td>
<td>-Three year term</td>
</tr>
<tr>
<td></td>
<td>-Varying amounts, Rs. 25,000 maximum</td>
</tr>
<tr>
<td></td>
<td>-17% per annum interest rate on balance</td>
</tr>
<tr>
<td></td>
<td>-Five main purposes: working capital, assets, home repairs, housing, and repayment of old debts or redemption of mortgaged assets</td>
</tr>
</tbody>
</table>

*Source: Chen and Snodgrass, 1999*
Appendix 4: THE TRADE UNIONS' ACT, 1926

I OBJECT: To provide for the registration of trade unions and to define law relating to registered trade unions.

II APPLICABILITY: It extends to the whole of India.

III TRADE UNIONS: means any combination whether temporary or permanent formed primarily for the purpose of regulating the relations between workmen and employers for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.

IV MODE OF REGISTRATION: Any seven or more members of a trade union may apply for registration of a trade union in Form - A to the Registrar appointed for the area. The application shall be accompanied by Schedule I, Schedule II and a byelaw and a resolution authorising seven ordinary members of the union to make an application for registration of the union, and a treasury chalan of Rs.100/- remitted as registration fee. (Section 4 and 5 read with Regulation: 3 & 5)

V REGISTRATION CERTIFICATE: On receipt of the application for registration, the Registrar, after making reasonable enquiry issue a Registration Certificate in Form - B (Section 8 & read with Regulation 6)

VI CANCELLATION OF REGISTRATION:
A certificate of Registration may be withdrawn or cancelled by the Registrar:
1. On an application of a Trade Union in Form-D, or
2. If the Registrar is satisfied that the certificate is obtained by fraud of mistake or that the trade union had ceased to exist or willfully and after notice from the Registrar contravent any provisions of the Act or rules etc. (Section 10 read with Regulations 8 to 12)

VII APPEAL: Any person aggrieved by any order of the Registrar may appeal within two months to the Civil Court not inferior to the court of an Additional or Assistant Principal Civil Court. (Section 11 read with Regulation 13)

VIII CHANGE OF NAME: Any registered trade union may with the consent of not less that 2/3 of its total members may make application in Form-H, for the change of its name (Section - 23 read with Regulation - 16)

XI ANNUAL RETURNS: Every trade union shall send annual returns to the Registrar in triplicate on or before the 1st day of May of the year succeeding the calendar year in Form-L in the case of individual trade unions and in Form-LL in the case of federation of trade unions (Section 28 read with Regulation 21)

XII PENALTIES: Offences punishable for the failure to submit returns may extend to Rs.5/- and in the case of continuing default with an additional fine which may extend to Rs.5/- for each week and shall not exceed Rs.50.00. Any person who willfully makes, or causes to be made any false entry or any omission from the general statement required by Section 28 etc. shall be punishable which may extend to Rs.500/-. Registered trade unions, furnishing false informations, shall be punishable with fine which may extend to Rs.200/- (Section 31)

83 Source: http://labour.nic.in/act/welcome.html
XIII WHO CAN FILE PROSECUTIONS:
1. Registrar
2. Persons with the previous sanction of the Registrar.
3. Aggrieved person under Section 32.
The complaint shall be filed within six months of the date on which the offence is alleged to have been committed.
No court inferior to that of a Presidency Magistrate or a Magistrate of First Class shall try any offence under the Act.

XIV AUTHORITIES UNDER THE ACT:
1. Registrar of Trade Unions (under Section - 3)
  Labour Commissioner
2. Additional Registrar of Trade Unions
   Additional Labour Commissioner (IR & E)
3. Deputy Registrar of Trade Unions
   Joint Labour Commissioner (P)

IX AMALGAMATION OF TRADE UNIONS: Any two or more registered trade unions may become amalgamated together as one trade union provided the votes of at least one half of the members of each or every such trade union entitled to vote and at least 60% of the votes recorded are in favour of the proposal. Notice of the amalgamation shall be sent to the Registrar in duplicate in Form-J (Section 24 to 26 read with Regulation 18)

X DISSOLUTION: When a registered trade union is dissolved the notice of dissolution shall be sent to the Registrar in Form - K, within 14 days of the dissolution along with the registration certificate (Section 27 read with Regulation 19)
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