Commerce with a Cause? NGO and Cooperative Income Generation Projects in Three South Indian Villages

by

Amanda S. Bickel
B.A. History
Swarthmore College, 1989

SUBMITTED TO THE DEPARTMENT OF URBAN STUDIES AND PLANNING IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF

MASTER IN CITY PLANNING
AT THE
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

JUNE 1997

© 1997 Amanda S. Bickel. All rights reserved.

The author hereby grants to MIT permission to reproduce and to distribute publicly paper and electronic copies of this thesis document in whole or in part.

Signature of Author: ___________________________ Department of Urban Studies and Planning

May 22, 1997

Certified by: ___________________________ Bishwapiya Sanyal
Associate Professor of Urban Studies and Regional Planning
Head, Department of Urban Studies and Planning
Thesis Supervisor

Accepted by: ___________________________ J. Mark Schuster
Associate Professor of Urban Studies and Planning
Chair, Master in City Planning Program
Commerce with a Cause? NGO and Cooperative Income Generation Projects in Three South Indian Villages

by

Amanda S. Bickel

Submitted to the Department of Urban Studies and Planning
on May 22, 1997 in Partial Fulfillment of the
Requirements for the Degree of Master in City Planning

ABSTRACT

Field research was conducted to identify the successes and limitations of three income generation projects in South India: a non-governmental organization (NGO) that produced handloom products; an NGO that produced baskets; and a cooperative that produced baskets. Interview data and financial statements were analyzed to determine the financial viability of the projects and benefits to workers. Although all organizations were profitable, economic benefits of the projects were limited, primarily by the selection of products and competitive market conditions. Some of the organizations, however, had significant impacts on the skill-base and self-confidence of craftswomen, particularly when craftswomen participated in organizational management. Findings explored: factors contributing to limited financial returns to workers; opportunities and preferred methods for incorporating workers into management hierarchies; advantages and disadvantages of certain products based on economic viability and suitability for production under NGO and cooperative management; and relative benefits of various government regulations, marketing assistance and grant programs designed to assist NGOs and cooperatives.

Thesis Supervisor: Bishwapriya Sanyal
Title: Associate Professor of Urban Studies and Regional Planning
Head, Department of Urban Studies and Planning
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgments</td>
<td>7</td>
</tr>
<tr>
<td>Introduction</td>
<td>9</td>
</tr>
<tr>
<td>Project Selection and Methodology</td>
<td>12</td>
</tr>
<tr>
<td>Structure of the Thesis</td>
<td>14</td>
</tr>
<tr>
<td>Limitations</td>
<td>15</td>
</tr>
<tr>
<td>Stakeholders: Insiders, Outsiders, and the Leaders in-between</td>
<td>17</td>
</tr>
<tr>
<td>The Outsiders Who Came in: Leadership and Staff</td>
<td>19</td>
</tr>
<tr>
<td>Reaching the Unreached (RTU)</td>
<td>20</td>
</tr>
<tr>
<td>Manapad Palmleaf Cooperative</td>
<td>22</td>
</tr>
<tr>
<td>SHARE</td>
<td>24</td>
</tr>
<tr>
<td>Communities and Memberships</td>
<td>26</td>
</tr>
<tr>
<td>Reaching the Unreached</td>
<td>26</td>
</tr>
<tr>
<td>Manapad Cooperative</td>
<td>50</td>
</tr>
<tr>
<td>SHARE</td>
<td>55</td>
</tr>
<tr>
<td>Outsiders: Government and Foreign Funders</td>
<td>41</td>
</tr>
<tr>
<td>Government Legislation and Intervention</td>
<td>41</td>
</tr>
<tr>
<td>Grants and Subsidies</td>
<td>44</td>
</tr>
<tr>
<td>Trade Contacts and Technical Assistance</td>
<td>46</td>
</tr>
<tr>
<td>Conclusion</td>
<td>48</td>
</tr>
<tr>
<td>Participation and Hierarchy</td>
<td>51</td>
</tr>
<tr>
<td>Leadership: Where Participation and Hierarchy Meet</td>
<td>57</td>
</tr>
<tr>
<td>Participation and Hierarchy: Levels of Influence</td>
<td>59</td>
</tr>
<tr>
<td>First Order Strategic Decision-making</td>
<td>59</td>
</tr>
<tr>
<td>Second Order Strategic Decision-making</td>
<td>64</td>
</tr>
<tr>
<td>Maintenance Management</td>
<td>66</td>
</tr>
<tr>
<td>Sequencing Participation</td>
<td>70</td>
</tr>
<tr>
<td>Conclusion</td>
<td>72</td>
</tr>
<tr>
<td>Products, Markets, and the Poverty of Income Generation Programs</td>
<td>75</td>
</tr>
<tr>
<td>The Market for Crafts and Basketry</td>
<td>75</td>
</tr>
<tr>
<td>Production and Marketing Challenges</td>
<td>79</td>
</tr>
<tr>
<td>The Problem with Palm</td>
<td>80</td>
</tr>
<tr>
<td>The Cyclical International Market for Handicrafts</td>
<td>82</td>
</tr>
<tr>
<td>Wages</td>
<td>85</td>
</tr>
<tr>
<td>Handloom</td>
<td>87</td>
</tr>
<tr>
<td>Handloom Headaches</td>
<td>88</td>
</tr>
<tr>
<td>Inefficient Production</td>
<td>89</td>
</tr>
<tr>
<td>Cyclical Foreign Markets</td>
<td>90</td>
</tr>
<tr>
<td>Competition in the Domestic Market</td>
<td>91</td>
</tr>
<tr>
<td>Wages</td>
<td>92</td>
</tr>
<tr>
<td>Why Do NGOs and Cooperatives Select Handloom and Handicraft Production Activities—and Should They?</td>
<td>94</td>
</tr>
<tr>
<td>Basket-Weaving: Why Yes?</td>
<td>97</td>
</tr>
<tr>
<td>Conclusion</td>
<td>102</td>
</tr>
</tbody>
</table>
Acknowledgments

Many people helped to bring this project to fruition. Thank you, first, to my thesis advisor, Bishwapriya Sanyal, for stimulating conversations and sturdy emotional support throughout this challenging project. Thanks also to Judith Tendler, my reader, for her thoughtful feedback and guidance.

Many friends, colleagues and organizations supported my field research in South India. Anuradha, my field assistant, cheerfully endured frenetic travels throughout Tamilnadu and some decidedly uncomfortable sleeping arrangements. I thank her for her high quality translations and her lively company. Special thanks to my dear friends, J. Rajasekeran, Vidya, Rohini, and Arun, for opening their home to me and reminding me why I love South India. Thanks also to Sekar for hours of invaluable field assistance and to the many students from American College who translated and transcribed dozens of taped interviews. Funding for two months of field research in India was provided by a Carroll Wilson Award from MIT.

This project would not have been possible without the generous help of the members and staff of my three target organizations. Mrs. Rani, Mrs. Vasuki, and Mr. Murugesan, and the many staff members and craftwomen of SHARE welcomed me with true Tamil hospitality. Thanks also Mr. Chandrasekar and the craftworkers of Manapad Palmleaf Cooperative and to Bro. James Kimpton, Mr. Nathan, Mr. James and the staff members of Reaching the Unreached. Leaders, staff, and dozens of workers in each of these three organizations spent many hours patiently answering my questions, sharing their wealth of experience and insights into their projects’ strengths and weaknesses, as well as detailed data. I am very grateful for their time.
Thanks to K. Panchaksharm, Mrs. Gita, and the entire staff of the South India Producers’ Association for opening the organization’s doors and guest room to me, for allowing me to draw on Panchu and other staff members’ vast knowledge of income generation projects in Tamilnadu, for helping to identify appropriate producer organizations to study, and for giving me access to some of SIPA’s detailed surveys and records.

I also wish to acknowledge the many government officials, industrialists and traders in handloom and crafts, handloom weavers from the city of Madurai, and consultants and researchers working in this field who gave time for interviews. Among these, I would particularly like to thank Mr. J. Nagaraju of the Development Commissioner Handicrafts (Government of India Ministry of Textiles), Mrs. Gita Ram of the Madras Crafts Foundation and Crafts Council of India, Mr. M. Britto of Swaminatha Mudaliar Sons & Co., Mr. M. Nagarajan, General Manager (Exports), Co-opTex International, and Mr. Ram Bhat of Options and Solutions, who were particularly generous with time and information. My friends Hanif Moosa, R. Kannan, and Thangam Srinivasan also helped to identify a number of key interviewees and persuaded busy people to spend time speaking with me.

Finally, I thank the many friends and family members who provided key words of encouragement, stimulating observations, and last-minute editing along the way. Most importantly, I thank my husband Peter for constant and loving support, for warm meals and good laughs when I was under stress, for always listening, and, in the end, for carefully reading and editing my final product.
Chapter I

Introduction

Between 1990 and 1992, as the coordinator of a resource center for non-governmental organizations in South India, I had opportunity to work closely with many small rural development organizations pursuing goals that ranged from health education to improving village infrastructure. I was often struck by how successful these organizations were at community organizing, particularly to demand bore wells and other infrastructure from the government that they had been promised long ago. Yet they seemed to have far more difficulty launching programs to raise income levels in villages, which was often the villagers’ most desperate need.

Thus in the summer of 1996 I returned to South India to explore the deceptively simple question: what are the characteristics that enable a select group of non-profit organizations to offer stable employment in rural settings? To begin answering this question, I studied three organizations that had been employing village women to produce well-regarded handicrafts and decorative handloom products for at least ten years: a non-governmental organization (NGO), a cooperative, and an organization that was a hybrid of the two forms. The projects studied all fell into the general category “income generation programs” (IGPs). Each trained workers in necessary skills and provided jobs and income. In some cases they also offered other services for workers as well as surrounding communities, such as education and housing programs. As is common among such projects, all were started by leaders who came from outside the community.
inspired by the idea of improving the conditions of village life. In addition to conducting interviews with workers, their representatives, and professional managers at these organizations, I also attended numerous NGO conferences and craft fairs, interviewed for-profit craft and handloom producers, and spoke with traders and exporters, consultants, and government officials involved in promoting or sponsoring NGO and cooperative craft and handloom projects.

Through my research, I developed some insights about the characteristics of successful producer organizations. Some of these findings are explored in this thesis. Yet I also found myself confronted with potentially thornier questions:

- What makes these non-profit businesses and producer cooperatives different for workers and communities than normal, for-profit businesses? Do they pay workers more? Do they treat workers differently? Do they achieve social impacts (e.g., affecting the status of women in the community) that set them apart?

- Is there a reason to prefer one organizational structure (NGO, cooperative or hybrid) over another on economic, administrative, or other grounds?

- Is there a reason to prefer one type of product (handloom or handicraft) over another on economic, administrative, or other grounds—or should producers look for different kinds of products altogether?

These questions seem particularly relevant in a period in which many Indian NGOs are considering or actively pursuing income generations programs. While NGOs and cooperatives have been involved in income generation projects in India for well over 40 years, these projects have become increasingly attractive to community activists in recent years for both the old reason that these projects are requested by villagers and two newer reasons. First, the numbers of development NGOs in India have burgeoned, while foreign funding has been on the decline

---

1 Because of this, both the cooperative and the cooperative-hybrid studied resembled private voluntary organizations/NGOs more than "ideal-type" cooperatives in which workers are presumed to be self-organized and self-managed. Thus, all three offered lessons for activist-entrepreneurs interested in launching IGPs in village settings.
As a result, development activists have felt under increasing pressure to find independent means for supporting their organizations. Income generation schemes have been held out as a way to meet both villagers’ needs and the needs of the organizations themselves for a steady income stream. Second, after a 20-year chill in government-NGO relations under Indira Gandhi, the government of India has increasingly promoted partnership between government and NGOs (Kudva 1996). One element of this has been a rise in the government funds available to NGOs for running employment training programs. This support can provide a foundation for launching an NGO business to employ newly trained workers, and many NGOs have hit upon this as a way to create a viable organization.

My topic also seems particularly appropriate in an era when scholars and practitioners are actively debating the relative merits of civil society, the state, and the free market as mechanisms for promoting development. The organizations I studied underline how fuzzy the lines between these three social components can be. NGOs and cooperatives, organized around ideological principles would generally be classified as elements of civil society. Yet they have all been shaped to varying degrees by the state which defines the boundaries of what constitutes an NGO or cooperative, offers subsidies, and imposes rules and controls on their behavior. Further, as producer organizations, their options and opportunities are severely constrained by market forces. Whether or not they run successful businesses determines, to a large extent, what benefits they can offer the community—both in the form of worker salaries and through other community projects. Thus, in addition to offering observations relevant for NGOs considering or involved in income generation projects, I also reflect on some of the factors state actors should keep in mind as they regulate and assist these organizations—and thus mediate the interaction between the market and civil society for development ends.
Project Selection and Methodology

Three projects were selected for the study, all located in rural areas in the South Indian state of Tamilnadu.

1. The Self-Help Association for Rural Education and Employment (SHARE): an NGO that coordinates production and sale of palm leaf baskets, as well as other handicraft products for over 800 women producers. As a former government cooperative that became an NGO in the early 1990s, it provides an example of a hybrid between the NGO and cooperative forms;

2. Manapad Women’s Industrial Palmleaf Cooperative Society: a government-sponsored cooperative which coordinates production and sale of palm leaf baskets for over 400 producer-members, all women; and

3. Reaching the Unreached: founded by a British missionary, this NGO is involved in a wide range of health, housing, education and income generation projects, including production of handloom towels and table linens, batik cloths, and construction materials. Total employment in all activities is estimated at 1,000, but approximately 100 women were employed in the handloom unit studied.

The three projects were identified for study through consultation with the South India Producers’ Association, a federation of NGOs and cooperatives that markets the products of NGO and producer cooperative groups abroad. All met the following criteria:
1. they employed at least 100 villagers in production activities;
2. they produced high quality products (marketed in Europe and the U.S.); and
3. they had a record of producing for ten or more years.

These factors demonstrated that the organizations were able to provide consistent employment (a goal of any IGP) and met at least two basic measures of business success: quality products and the ability to survive.

During on-site visits, I attempted to establish the organizations’ success in several other arenas:

1. *Growth of the business or cooperative*, and, related to this, the number of villagers who participate in the project;

2. *Direct financial returns to workers*, including wages and bonuses;

3. *Other returns to workers, including: development of their "human capital"* (knowledge and capabilities which enable them to be more effective and increase their earnings in the work environment), and intangible benefits which are spillovers from participation (*e.g.*, higher status in family and community, greater self-confidence);

4. *Financial returns to the organization*, what would be called "profit" in a profit-making business. In a cooperative or NGO, these funds may be kept as financial reserves, used for expansion of the IGP project, or on staff and infrastructure for unrelated or peripherally related community projects. Among other benefits, these returns may make it possible for the organization to increase its stature in the environments in which it is active.

5. *Other impacts on the community*, to the extent these could be established through informal discussion with project members and leaders. Such impacts could range from new or improved infrastructure and services in the community to changes in the way members of the community treated those who were involved in the project.

Information was collected primarily through intensive interviews with members and professional staff of the organizations, conducted with the assistance of a translator. This was supplemented with the organizations’ financial statements, annual reports, and any evaluations
they were willing to provide. Supplemental information on the projects, their products, and markets, as well as government programs to assist them, was collected from various non-profit organizations that marketed these groups’ products, non-profit and for-profit competitors, and government officials and consultants who had worked with the organizations.

**Structure of the Thesis**

The thesis includes four core chapters, bracketed by introduction and conclusion. Chapter 2 explores the broad outlines and histories of the three organizations, as they have been shaped by four elements: 1) professionals who founded the organizations and continue to provide management assistance; 2) workers/members of the groups; 3) state rules, regulations and funding; and 4) foreign funders.

Chapter 3 explores the ways in which hierarchy and participation have been incorporated into the internal structures of the organizations and the implications of this for both management efficiency and the achievement of other development goals, including the development of the skill base and social status of workers who are promoted from within the organization.

Chapter 4 looks at the products selected for manufacture—handloom and palm handicrafts—and asks whether these products are good choices and whether one might be better than the other. This includes both a survey of the markets in which these products compete and a comparison of the demands these production activities make on managers and producers.

Chapter 5 asks the question: Income generation for whom? Focusing on the two organizations that clearly had surplus, I look at the real and potential tensions between demands for leader and administrator salaries, infrastructure and working capital, returns to workers, and community projects.
Limitations

The research that underlies this thesis has some important limitations. First, although I have looked at these organizations as examples of the organizational forms taken by producer-NGOs and cooperatives, they are not necessarily representative of other IGPs in South India or elsewhere. As my diverse case studies indicate, organizations that run IGPs take on a wide variety of forms, and this sample is in no way exhaustive. Further, since I sought successful NGO and cooperative producer organizations--and was guided in this effort by an organization that markets the products of these groups abroad--my choice of projects was inherently and deliberately biased.

Second, the time I spent with the organizations reviewed in this paper was very limited: no more than a week in each case. Although my visits were filled with intensive interviews and I left with substantial documentation, any data based on such short visits should be subject to question. I attempted to compensate for this weakness by reviewing my impressions with consultants and trade partners who had worked with these organizations for many more years. I also supplemented my research with project evaluations that had been conducted by other consultants and with some survey data that had been collected by the South India Producers Association on these and other handicraft organizations. Nonetheless, a less time-limited study might have resulted in somewhat different conclusions.
Chapter II

Stakeholders: Insiders, Outsiders, and the Leaders In-between

SHARE, Manapad Cooperative, and Reaching the Unreached each made attractive products and provided a group of workers with a stable source of income. Each also had a distinctive organizational form, character, and goals. This chapter addresses two questions critical to understanding these organizations and to understanding the implications of their experiences for other groups:

- How did these organizations come to exist, to adopt the goals and organizational structures they currently have? In particular, what institutional forces and actor-interests have been most important in determining whose needs are met by the organizations and how these needs are met?

- How have external factors interacted with internal factors to enhance the effectiveness of NGOs and cooperatives and their ability to achieve desirable outcomes, including high performance as businesses and development of workers’ human capital?

Much of organizational theory is concerned with whether factors inside organizational boundaries, e.g., the interests of members and leaders of an organization, or factors outside these boundaries, e.g., government policies, market forces and funding opportunities, are more important in shaping organizational behavior. Strategic choice theorists have tended to focus on the role of organizational leaders in consciously picking a path of optimal survival for their organization, while resource dependency theorists have focused on the way organizations shape their behavior in response to the resources available in their environment (Hrebinia 1985, Pfeffer 1982). New institutional theorists have, more recently, tended to remove any kind of active
decision-making from the scope of organizational behavior and have focused attention on the way broader economic, legal, and social structures, including subconsciously-held norms and assumptions, tend to determine organizational outcomes (DiMaggio 1991).

Common sense suggests that both factors internal to an organization and factors external to it are important--and that both the conscious decisions of rational actors and broader economic, legal and social systems will make a difference. Yet it seems reasonable to assume that the relative importance of any of these factors will vary across organizations and institutional environments. To understand the interaction in the cases I studied, I focus on four different kinds of factors which both the literature and my case studies suggest are important in shaping non-governmental organizations and cooperatives. These include:

1. **Professionals** who come from outside the community to found and manage the organizations;

2. **Community members** who join the organization as workers, leaders, and staff;

3. **Government policies** that affect organizational behavior by defining legal organizational forms, by funding organizational programs, and/or by taking direct control of some aspects of organizational management; and

4. **Foreign funding agencies** and non-profit trade organizations that offer financial benefits and rewards for certain kinds of organizational behavior.

In the first two sections of this chapter, on professionals and community members, I have tried to paint a narrative picture of the people and organizations involved, which will lay a foundation for other chapters in the thesis. These sections focus particularly on the extent to which not only professionals, but also community members, have been able to exert influence on organizational direction and under what conditions this has occurred. The third section, on government and foreign funding agencies, addresses from a more analytical perspective the
question: what have government and foreign funders done that has helped—or hurt—these organizations?

**The outsiders who came in: leadership and staff**

Most of the evidence suggests that development NGOs are almost always started by educated elites who have language, contacts, skills and access to financial resources. The evidence on cooperatives is less conclusive: some analysts have argued that the only really effective cooperatives are those that are started by the cooperative members themselves; others argue that in the context of a developing country, potential cooperative members do not necessarily have the skills necessary to start an effective cooperative (Rao 1979, Abell and Mahoney 1988). In practice, whether potential members are likely to have appropriate skills or not will depend to a large extent on the kind of production in which they are involved and the kind of background they come from. Baviskar and Attwood (1995) have observed that farmers often have both the right skills and attitudes for starting cooperatives. They are, in essence, already small entrepreneurs with some basic management capabilities and needs for certain kinds of services, e.g., agroprocessing and marketing links, that a cooperative may facilitate. While among a group of farmers there will undoubtedly be some leaders who emerge to spearhead the cooperative effort, there is at least some possibility that these leaders will come from within the community rather than from the outside.

Yet in the organizations I studied, there seemed less potential for spontaneous, entrepreneurial creation of a new organization from the inside. Participants in these projects were commonly young women, housewives, and agriculturists with little or no knowledge of the production activity before someone arrived from the outside and taught it to them. They had both
limited educational backgrounds and, more importantly, little connection to resources outside
their homes that would have enabled them to start such an organization. As a result, these
projects, like many focused on disadvantaged groups, have generally involved an outside stimulus.
In this way, both the NGOs and cooperatives I studied are far more reminiscent of typical
development NGOs or even private enterprises than they are of typical self-initiated cooperatives.

The professionals who founded and still support the organizations I studied can be seen as simultaneously insiders and outsiders. When they form or join an organization, they bring with them an ideological frame of reference, contacts and experience that are external to the communities where they locate. Insofar as they attempt to create new organizational forms and build new ideological perspectives in communities where these forms did not exist before, they act as community outsiders. Yet once they have helped to form or have become allied with an organization, they will act as fierce defenders of the organization toward outside interests and will jockey for power and position within the organizations. From this perspective, they are quintessential insiders

**Reaching The Unreached (RTU)**

RTU was founded by Bro. James Kimpton, a Salesian brother who had arrived from the United Kingdom in 1962 inspired by a religious commitment that “the glory of life is to love not to be loved, to give, not to get, to serve, not to be served” (RTU brochure). After working with several other orphanage projects, Bro. Kimpton launched RTU in a location abutting several poor villages at the base of the Kodai hills in Tamilnadu. His considerable organizational capacity and impressive ability to raise funds from abroad have helped the organization to become large and diversified. By 1996, RTU directly and indirectly employed over 1,000 people in the area and
served tens of thousands more through its orphanages, schools, houses and clinics, water projects and income generation projects. In this project, perhaps more clearly than the others, project selection and organizational form have clearly been influenced by Bro. Kimpton's interests and capabilities. This is particularly evident in the focus on children (Bro. Kimpton's primary interest), housing, water, innovative technologies (he has a degree in civil engineering), and in the organization's hierarchical structure, work hours and expectations (oversight from a board of governors, clear reporting guidelines, strict 9:00-5:00 working hours). Some of these formal organizational elements have been enhanced by "loans" of knowledgeable administrators from funding agencies over the past 10 years and, since 1993, the hiring of an influential assistant director, Mr. Nathan, who has a formal background in public-sector administration.

RTU's handloom project was launched in 1986, a fairly late entry into RTU's collection of activities. To get the project off the ground, Bro. Kimpton hired traditional weavers from the city of Madurai capable of setting up looms, teaching weaving, and familiar with the complexities of the trade. Moreover, to ensure that working conditions were adequate and that workers were not forced to weave "in pits below ground level where they breath dust," the organization built its own sheds to house the looms and offered daily employment.

The goals of the unit were to provide employment and thus earnings for workers and RTU. Yet over the years, the organization produced regular employment but not sufficient sales. Goods were produced and stacked in warehouses. Losses grew, and in 1993, Mr. Nathan, the then-new assistant director, set to work to rectify the problem. His solution included laying off 20 workers, ending unprofitable arrangements to take subcontracts from commercial handloom operations, and generally to "rationalize." RTU now stands in a management transition from its
historical welfare orientation to something more business minded—positions personified in Bro. Kimpton and Mr. Nathan, his possible heir-apparent.

**Manapad Palmleaf Cooperative**

The oldest of the organizations, Manapad Cooperative was founded in 1957 by six social workers, members of the Tamilnadu State Palm and Jaggary and Coconut Fibre Cooperative Sales Center and the Tirunelveli District Industries Commercial Department. As representatives of a broader state-wide plan for promoting cooperatives and village industries in palm products, they arranged to have a woman from the area sent to Madras to learn sophisticated palm handicrafts and then return to the village to instruct village women in upgrading the usual village product. They then helped villagers to launch a formal, government-supported cooperative and assisted with the management.

Although these original founders are all dead, the organization’s current director, Mr. Chandrasekar (who holds the title “accountant”), appears to be a direct descendant from their ideological approach. He was recruited to the project by the founders 22 years ago, after training in a government cooperative school specifically designed to prepare administrators for such projects. Such schools offer both applied training and ideological foundation in “cooperative principles,” rules of democratic leadership and division of surplus that are supposed to lead to cooperatives’ success. Following this training, he was hired by Manapad Cooperative and spent several years as an assistant to some of the original leaders before he took over.

Chandrasekar, like all of the professionals studied, is at once insider and outsider. Although trained in a government school, Chandrasekar is an employee of the cooperative and not a civil servant. He has made this project his life’s work, and after 22 years in the community, he
has developed a deep understanding of the local environment. From this perspective, he is an insider. At the same time, he is not a member of the caste and communal groups in this village and offers a distinctive ideological perspective which, in an Indian village, will always make him an outsider in some respects.

Chandrasekar also brings a line to the outside world with which the cooperative would not be able to function. Some of this is connection to government officials. Mr. Chandrasekar has been exceptionally effective in obtaining grants for building construction and training programs from the state government. He has also been effective in identifying new markets for the organization, both abroad and, particularly, within India. Finally, while Manapad, like most cooperatives in the state of Tamilnadu, has been forced to replace its elected executive board with a government officer, Chandrasekar has helped the cooperative to eke out some institutional independence. Because the organization is both financially and organizationally stable, the government special officers only visit on an occasional basis, Manapad is not required to pay them, and to a large extent Chandrasekar seems able to get official support for projects he thinks are important.

Much of Chandrasekar’s talent seems to be to effectively balance the organization’s financial needs, the interests of outside actors (particularly the government), the interests of community leaders, and the interests of the membership. When asked the reason for the organization’s success he replied that people are paid well and also cooperate well. In particular, he observed “the executive board [representatives from the community] supports both staff and working members and doesn’t favor one over the other.” This subtle depiction of his role as subject to—rather than in control of—the organization speaks miles about his diplomacy. In practice many decisions remain in Chandrasekar’s hands, and insofar as the organization’s board
does not favor “one over the other,” it is due in large part to him. Yet members seem to see him as a collaborator in their project, rather than a director. As one woman explained, “We make the best products. We make things that are in demand. The credit for this goes to both the administration and to us.”

**SHARE**

In SHARE, as in the other two organizations, leaders originally from the outside have played an important role in making the organization what it is. The first craft center of what would eventually become SHARE was started in 1974 by Christine Matthews, a visitor from the United Kingdom who was associated with the prestigious Christian Medical College in Vellore. Matthews’ idea—to bring trainers in to instruct village women in an income-earning activity—was seen as an entry vehicle to communities where Christian Medical College hoped to provide medical education and services. First a palmcraft center was opened in one village, then, two years later, another center was opened to teach coconut fiber (coir) crafts and a third one to instruct a group of women in weaving mats. As the centers flourished, the sponsoring organization from Christian Medical College decided that it would be appropriate to register the groups as cooperatives, and thus tap into government assistance for such projects.

In 1980, three cooperatives were registered, one for each craft. Although the organizations now came under government sponsorship, the Christian Medical College remained closely involved: its social workers filled the executive board positions, and it financed the centers’ ongoing financial losses. The period between 1980 and 1992 was one of conflict, development and upheaval. Government representatives and medical college social workers clashed over key decisions, such as whether the government would allow the organization to build
offices, and both social workers and the organizations’ membership became disenchanted with
government involvement. After public marches and political protests discussed further below, the
government eventually agreed in 1992 to allow the formation of a new organization, an NGO,
that would not be bound by the government’s rules on cooperatives.

SHARE, as the new organization was called, was launched with an impressive mixture of
ideological traditions and an organizational form drawn in part from the involvement of medical
college social workers and in part from a government-imposed cooperative form. Much of this
mixed inheritance was absorbed by the one social worker who remains from the turbulent 1980s:
Mr. Murugesan, SHARE’s project coordinator. Trained in Gandhigram, a rural university that
provides social-work training in the Gandhian ideological tradition, Murugesan has developed a
feminist orientation quite rare among Indian social workers. While the idea of women’s equality
is propounded in Gandhi’s writings, Murugesan’s perspective on the question is also influenced by
long-standing contact with visitors to the area from the U.S., U.K. and Europe. He thus notes
with considerable embarrassment that he still appreciates that his wife cooks for him, even though
this is perhaps an unfair arrangement. Because the organization’s history is complex, sorting out
the roles of key players and ideologies is difficult. Nonetheless, from his present role, it seems
that Murugesan has been a key champion for two fundamental organizational characteristics.
First, a belief that the goal of the organization should not simply be providing income to women,
but rather changing women’s status in society. Second, a belief that, to the extent possible,
organizational control should be in the hands of women members themselves.
Communities and Memberships

Each of the initial leaders embedded himself in a rural area where he formed an organization. Yet what became of the organizations depended to a large extent on the people actually recruited and how they were incorporated into organizational hierarchies.

Reaching the Unreached

RTU straddles a location between several villages, and develops projects to serve poor people both in the immediate area and—for some of its projects—across several districts. In 1975, when Bro. Kimpton arrived in the area, he went to the local leadership of each village and “asked what they needed.” This question led to the creation of a project of tremendous size and complexity. I have restricted my analysis of membership to the organization’s handloom project.

The handloom program was targeted at women on the grounds that women were more likely to spend their earned income on their families than men. While it was not clear which women in the community were initially recruited, the organization soon found that the only workers who could be hired to do the weaving itself were young and unmarried. If a woman who has been working as a weaver at RTU marries into a family in the area, and the family permits it, she may return to work. But even then, according to the management, the women are soon “in the family way” and burdened with other household responsibilities. Because handloom weaving is physically strenuous, mature women who are less burdened with small children are never given this work. Instead, older women remove knots from thread and wind it onto the large reels that are used on the looms. This work pays much less—sometimes less than half of what a weaver can earn—but most of the women involved in this work said that they would not be physically capable of weaving.
Winding Thread and Weaving at RTU
Young women seemed to look at the job as a source of income, nothing more or less. All had had some education—up to fifth or sixth grade—but few had had more. A number of them noted that they had left school to enable their brothers to continue, possibly a perverse effect of RTU's decision to target its program at women. Most young weavers and RTU officials tended to see their employment as short term. This mediated against their becoming invested in the organization or given positions of responsibility, since as women become familiar enough with the operation that they might be able to provide some useful input into management decisions, they were likely to leave.

In contrast with these young women weavers, older women “thread winders” were likely to have worked for RTU for many years. Among these workers, morale seemed to be low. Many were widows who were supplementing the income of their sons, and they complained vociferously to me that their salaries were inadequate. They may also have been affected by their low status within the organization. While the lack of authority given to young weavers could be understood both by them and by the organization as a product of their age and lack of experience, such explanations were not adequate for older women, be they thread-winders or the rare more experienced weaver.

Managers I interviewed suggested that many of these women were attempting to assert authority within the organization in ways the management found counterproductive, e.g., they resisted the speed and quality improvements that the organization was trying to impose. They argued that a “complete change of attitude” would be necessary among these workers for the unit to function effectively. Thus, at least within the weaving unit, RTU seemed to present a different case from either of the two other organizations studied: not only was worker influence low vis-à-
vis management, but there was far less cohesion among members and between members and management than in either Manapad or SHARE.

**Manapad Cooperative**

Manapad’s leaders started out with different goals from RTU’s, although they too were concerned with improving the overall living standard of a community. Crafts projects have historically been started in areas where 1) women who could do the crafts are believed to have “extra time” on their hands; and 2) appropriate materials are available. Manapad had both a supply of underemployed women from fishing and agricultural communities and abutted palmyrah plantations, which could supply the raw materials for the crafts. Precisely why Manapad was chosen for this project over the dozens of other villages along the coast with similar characteristics is hard to know, though it is possible that founders were attracted by its beauty and the high quality of available housing and elegant churches, remnants of the pre-1947 era when trade between India and Sri Lanka was highly profitable and wealthy merchants made their home in the town.

The social workers who came to Manapad recruited 15 initial trainees. All were supposed to be poor, interested, and below the age of 18. Although many village women in India leave their native village for marriage, in Manapad at least some of the women marry within the village. Thus, many of the women who received this early training remained and eventually became leaders in the organization. Unlike in RTU, where the administration has had difficulty with worker continuity and constant training, in Manapad, the craft has become a true cottage craft. Women produce at home and teach the craft to their neighbors, sisters, and daughters. There are over 400 coop members, which, if one considers the large number of family members who often
Craftwomen of Manapad
produce under a single formal membership, may translate into over 1,000 part-time workers. This is a sizable proportion of a village population with slightly over 3,000 female inhabitants.

One of the most interesting features of the organization is that production has divided along communal lines. There are, in fact, two contiguous villages, not one. Manapad is a fishing village and its members are all Christians from a traditional fisher caste. Next to it is a village of Nardars, who have historically grown Palmyrah trees which, among many other purposes, can be used to make “toddy,” a mild alcoholic beverage. There is a gentlewoman’s agreement within the cooperative that the different caste groups will make different kinds of products. Thus, although all receive the same training, the fisherwomen weave with “small knots” and the Nardars weave with “big knots.” If asked why this is, women from both communities simply respond that each community does “what it prefers” or “what it is good at.” The organization’s professional staff appear to have accepted the division as what works in this setting. Yet, while production has remained distinct, training programs and management functions continue to serve both groups.

An important element of the cooperative form in Tamilnadu is an executive board of seven members drawn from the community of workers. This representation is mandated by the Cooperative Act that governs cooperatives in the state. In fact, the extent to which Board members have been selected by the community has also been constrained by government intervention. The government selected executive board members for Manapad from 1957 to 1972, and from 1972 to 1989, it selected 5 of 7 representatives. In 1989, the government dissolved the organization’s representative board altogether and replaced it with a government-appointed “special officer”. Thus the only period when the Board has been fully democratically
selected was a brief hiatus of seven months in 1991 when members selected all seven executive board members.\(^2\)

Despite these numerous interruptions to self-management, the periods when it has formally existed have given women in the organization the sense that they should be included in decisions and, preferably, in charge of the organization. Thus, even during the current period of special officer supervision, women who were elected during the 1991 period provide informal management input to Chandrasekar. He, in turn, has played a balancing act among the various interested parties and, particularly, the two major communal groups represented on the executive board which have at times had difficulty working together.\(^3\)

Communal divisions aside, members of the organization seemed committed to the cooperative’s survival. Particularly given few other opportunities for work, women valued their earnings from it, limited though they were. Further, regardless of caste or community affiliation, the women were uniformly proud that they and the women of their town produce products that are “more beautiful than any other place.” Related to this, they were eager for the control to once again return to the hands of the membership, not necessarily because they wanted major changes in how things were run, but rather because they had the sense that the organization belonged to them.

\(^2\) While the reasons for these changes are not clear, such intervention is consistent with the experiences of most cooperatives in Tamilnadu, regardless of their performance.

\(^3\) In 1995, Ram Bhat, a GTZ evaluator, found that some members of the former executive board were not speaking with each other, apparently based on communal divisions. Likewise, during my visit in the summer of 1996, members seemed to be concerned over the level of representation that would be assigned to each of the communal groups when new Executive Board elections were held. It appeared that Chandrasekar would have a major role in this decision.
SHARE

The organization that eventually became SHARE began in one village in 1974, quickly spread to two more and has continually added one to two villages per year until, at present count, SHARE’s 800 members are spread over more than 30 different villages. Some of these villages are so developed and close to roads as to seem semi-urban, while others are in more remote agricultural locations. Members cover a full gamut of religion and caste.

The organization coordinates production in craft centers located in each village where it is active. This center-based production, rather than home-based production, is one of its distinctive features. The centers offer a place for training, assistance, and a communal location for women to sit and talk. Each center has traditionally housed a craft teacher, a woman who has achieved expertise in the craft and who can instruct others. These teachers serve as the primary liaisons between the geographically dispersed villages and the organization’s administration. Notably the organization has always located its craft centers between main villages and Dalit (“untouchable”) colonies to create spaces where various communal groups would be willing to come.

Of all the organizations, SHARE was the one in which leaders drawn from the craftwomen community were most visible. Seven executive board members, all craftswomen, take responsibility for major organizational decisions, including what the organization will produce and what kinds of programs it will offer. They are also involved in virtually all aspects of running the organization: quality control, inventory control, product design, and domestic marketing. The leaders are an exceptionally charismatic group that reflect the array of caste and communal groups present in the organization. The members of this group, and particularly the president and vice president, Mrs. Rani and Mrs. Vasuki, routinely travel to other parts of India to
represent the organization, even in situations where their participation may be constrained by their lack of English and/or Hindi.

These leaders work closely with the organization’s professional staff and particularly Mr. Murugesan, the organization’s project coordinator, who both handles a variety of administrative tasks and serves as consultant and mentor to the executive board. The relationship between the Board and Murugesan is clearly very close, and he exerts considerable influence on their decisions, although he prides himself of being “merely their employee.” Craft teachers are selected through interviews with both Murugesan and members of the executive board, and the members of the executive board are generally selected from within this group of teachers through a process that includes nomination from the village craft centers and actual selection by existing Board members and Murugesan.

The larger staff of the organization also reflects a mix of professionals from outside the community and craftwomen from within. Craft teachers, who are the majority of the organization’s staff, meet regularly to review production schedules, problems in their craft centers and the needs of the villages where they work. They serve as a sounding-board for many organizational decisions and work closely with the executive board. Professional staff members assist with coordinating various non-production activities (e.g., trying to encourage village savings schemes), as well as with maintaining accounts and preparing reports and evaluations for donors.

The striking role of craftwomen in managing this organization evolved over an extended period of time, the product of a complex mix of forces. As noted, the organization was first registered as a government cooperative in 1980, six years after the creation of the first craft center. However, at this point its executive board of seven members required by cooperative
Craftwomen and Community Organizer, SHARE
legislation was still made up of professional social workers associated with Christian Medical College in Vellore. Between 1980 and 1990, largely through the initiative of Murugesan, powers were gradually transferred to craftwomen within the organization. As both he and craftswomen leaders explained, at first women within the organization were intimidated by the idea of taking management positions, but, over a period of years, they began to see that they were capable. In 1985-86, the organization began to actively recruit leaders from the community of craftwomen to take a management role, and production control was turned over to them. In 1987-88, ultimate responsibility for most management tasks, except export and final quality control, were turned over to craftwomen. In 1989 quality control was added to their list of responsibilities.

According to Murugesan, the transfer of power reflected both an ideological commitment to self-management by the craftwomen and a pragmatic interest in improving the functioning of the organization. As discussed further in Chapter 3, craftswomen leaders have contributed to important organizational innovations. These include changes that would have been more heavily resisted if not spearheaded by them, including a decision in 1989 to begin to charge members for raw materials and thus to reduce wastage. In part as a result of these innovations, the organization finally became profitable in 1991.

Several critical interactions with the government during this period strengthened the position of women leaders within the organization. As noted in the previous section, within a few years of the organization’s registration as a cooperative, it began to have serious conflicts with government actors responsible for enforcing the cooperative legislation. This was consistent with the experiences of a broad range of cooperatives across the state which have found government intervention heavy-handed and disruptive (MIDS 1988; Shah 1996). In SHARE’s case, conflict focused on a number of key issues. These included: 1) the refusal of government officials to
allow the organization to merge its three cooperative units (palm, coir, and bamboo mats) into a single, recognized organization; 2) refusal of officials to allow the organization to invest surplus in building a “home,” an administrative center; and 3) skimming by corrupt officials.

In 1987, the women launched a protest march over corrupt government involvement and its refusal to allow the organization to merge operations into one. As a result, in 1988, they were allowed to merge palm and coir units into a single organization, after closing the bamboo mat unit which had been crippled by mechanized competition. This important victory established the organization, and its women craft leaders, as a viable and cohesive political force. Yet problems with government officials persisted, culminating in 1991 in the government’s decision to dissolve the cooperative’s executive board and replace it (as in Manapad) with a government-appointed ‘special officer.’ Cooperative leaders were incensed. With the help of a supportive central government official (the local Collector), the organization persuaded the state government to allow it to form a new body that would be registered as an NGO. SHARE was launched the following year to stand alongside a smaller version of the older cooperative.¹ Winning these battles against government authorities helped to solidify the role of craftswomen leaders vis-à-vis members, since they were visible leaders in the conflict. Combined with increasing financial viability, this visible leadership also enabled the organization to distance itself from its parent organization and declare itself fully autonomous.

SHARE has seen sales and membership grow rapidly (sales have quintupled) since it has become an independent organization, in part because the organization produces high quality products and in part because the level of self-management is highly attractive to foreign trading entities. With the help of both government and foreign funders, it has also been able to institute a
variety of educational programs for members and communities, ranging from health education programs to programs on women’s rights, after-school programs and scholarships. Members of the organization say that its most important impact on their lives has simply been that it is now acceptable for them to go out and work in the community, and they are no longer laughed at by their neighbors. Yet perhaps the most impressive impact of the organization has been the tremendous stature its women leaders have achieved in the community: in 1996, nine of the organizations teachers and executives were elected to local government offices, an astonishing feat for women with little education and humble backgrounds.  

**Outsiders: Government and Foreign Funders**

All of the organizations studied have been affected by outside actors, including government and foreign funding organizations. Here I look at two very different kinds of involvement by outside actors. The first, government regulation and direct government intervention, involves a set of activities that are unique to government. The remaining two, covering technical and trade assistance and grants and subsidies, include a complex mixture of activities in which government and foreign funding institutions sometimes play similar, or at least interlinked, roles.

**Government Legislation and Intervention**

Government legislation has played a complex role in all three organizations and has been shaped in large part on the organization’s legal registration as NGO or cooperative. To the extent

---

This enabled SHARE to retain assets acquired during the cooperative phase and continue to tap government, as well as foreign, aid resources.
that each type of organization has had to "play by the rules" established by its legal registration, each has been subject to what some theorists have called "coercive isomorphism," i.e., a framework imposed from the outside (DiMaggio 1983). In addition, as indicated above, both SHARE and Manapad have been subjected to organization-specific, active intervention from the government in which the rules themselves have changed.

NGOs in India are generally governed by the national Societies Registration Acts of 1860, as well as related regulations in each state. In Tamilnadu, the level of government intervention in NGOs has historically been considerably less than in cooperatives, and a fairly broad range of organizational forms can qualify an organization as a "society."

Cooperatives in Tamilnadu, in contrast, have received more assistance than NGOs, but have been subject to a far more pervasive government supervision and intervention. The ideas behind the cooperative legislation are fairly straightforward and reasonable. The government would help to form cooperative bodies and provide them the marketing and technical support necessary to be viable. It would also, as necessary, intervene to provide management assistance, particularly if it believed the interests of members were not being properly served. Unfortunately, in Tamilnadu, direct intervention based on this legislation has been ubiquitous and has apparently had little relationship to organizations' actual performance. Thus, Tushaar Shah echoes the opinions of a number of writers when he observes:

The central aspect of our analysis on Tamil Nadu is the powerful and pervasive disruptive impact of state control on the evolution and performance of rural cooperatives. Elsewhere [in India] we found instances of irksome political and bureaucratic meddling...However, in

---

5 Their election was facilitated by the restructuring of the Indian Panchayat Raj system which now includes reservation of 1/3 of seats for women.
6 recent amendment now allows that state government to take over, with no notice, the Board of any NGO engaged in "subversive activity against the government" (Kudva 1996, 20).
Tamil Nadu, successive state governments have kept in suspension the elected boards of all cooperatives for nearly two decades, replacing dozens of them by a lowly government functionary serving as ‘Special Officer.’ ...As a result, high performance, when found gets invariably traced to the chance combination of a competent self-driven manager/secretary and/or a conscientious and interested SO (Shah 1988, 101).

Consistent with Shah’s findings, both of the cooperatives studied, Manapad and SHARE (pre-NGO form), appeared to be successful because they were blessed with competent staff, capable of managing the organization with the help of or despite the interference of special officers (SOs). SHARE, as noted previously, actively resisted special officer involvement, and was eventually successful in its quest to become independent. Manapad, in contrast, has remained within the cooperative structure but, unlike most other cooperatives, its SO is only an occasional visitor, and the organization has not been required to pay his salary.

Mr. Chandrasekar appears to have been able to accomplish this significant feat because the organization has been consistently profitable and has won numerous awards from both state and national authorities as a model cooperative. Indeed, the very fact that this prize-winning organization has been subjected to an SO at all demonstrates the arbitrariness of the state’s procedures. SHARE’s experience suggests a similar arbitrariness. The organization’s Board was dissolved by the state in 1991, after it had become profitable. There is, moreover, no evidence that either SHARE or Manapad experienced better management during the periods of SO involvement in terms of profitability or growth. Indeed, SHARE’s sales have quintupled since it left the cooperative framework. In addition, there is some evidence that arbitrary take-overs have damaged the capacity of members to take-on management tasks, at least at Manapad which has submitted to government orders to dissolve its executive board rather than resisting (Bhat 1995).
Although the pattern of take-overs has been damaging, the experiences of the organizations studied highlighted one bright spot in the cooperative legislation. This is the requirement that workers have decision-making authority through an executive board. It is striking that even after SHARE transferred its registration to the Societies Act, it maintained this organizational element. An informal survey of NGOs involved in production activities suggests that this is a very rare structural element, and it seems likely that it would not have entered into SHARE’s design if it had not first been introduced by the requirements of government legislation.

In both SHARE and Manapad it was clear that key professional staff also had some degree of effective executive authority, and without them the Boards might not have been able to act effectively. Nonetheless, as discussed further in Chapter 3, there seems to be greater potential for incorporating workers into decision-making structures than is commonly realized by many NGOs. Properly managed, such involvement has the potential to increase organizational effectiveness both with respect to achieving business goals and with respect achieving other goals such as (in SHARE’s case) increasing the stature of women in the local community.

**Grants and Subsidies**

All of the organizations studied have benefited at various times from grants and subsidies from government and foreign funders. These supports fall broadly into two categories: grants for infrastructure and training, and grants to cover ongoing operating expenses. At the time of my visits, all three organizations were benefiting from grants in the first category. Manapad, SHARE and RTU all had warehouses, administrative offices, workshops and (in SHARE and RTU’s cases) vans funded in whole or part through government and/or foreign grants. Both SHARE and Manapad received government funding to run training programs to teach new craftswomen and/or
upgrade weavers skills. All of the organizations had also in the past received subsidies that covered operating expenses. Manapad operated without profit, but also without substantial loss, from 1957 to 1974, in part due to a concessional 4% government loan. SHARE survived despite heavy losses from 1974 to 1991 through financial assistance from a parent social service organization. RTU’s weaving unit had made a profit for the first time in its history in 1995.

**Operating Subsidies:** Although none of the organizations were reliant on operating support at the time of my visit, their historic dependence on such support was troubling. Some operating support seems inevitable in the years when IGPs are getting on their feet. Many for-profit businesses also require operating subsidies during such periods, and the learning curve is often larger for IGPs. This needs to be taken into consideration when deciding whether ongoing operating subsidies are reasonable or not. Nonetheless, the striking degree of subsidy and 10 or more years “in the red” for organizations generally identified as successful NGO and cooperative producers raises serious concerns about the potential to duplicate these kinds of efforts on a wide scale, if only because few funders will be willing to provide a predictable stream of revenue over such a long period of time.

**Infrastructure and Training Support:** In general, subsidies to IGPs that take the form of infrastructure or training are easy to justify and seemed generally to benefit the organizations studied. Infrastructure grants can be justified on the grounds that IGPs have virtually no access to private equity investment, except for what craftswomen themselves can come up with. Training subsidies can be justified on the grounds that part of what non-profit IGPs are designed to do is to develop worker skills.

Based on work on Bolivian cooperatives, Tendler (1988) has suggested that infrastructure grants are less likely than operating support to distort producer organizations’ long-term
economic performance. This seemed in general to be true, although I noted that the offer of matching grants could in some cases to encourage overinvestment or wasteful investment in infrastructure. For example, SHARE had overextended itself financially to construct administrative buildings in part because of the offer of a time-bound government grant.

I also found that both SHARE and Manapad had made good use of their training grants. Although the organizations might have been able to survive without these, annual training programs were consistently used to help workers upgrade their skills and thus the improve organizations' economic performance.

The most serious problem with both training and infrastructure support programs was that they were generally tied to specific products, such as handloom and handicraft. These products, as I discovered during field research, were often poor choices from an economic perspective. Thus, for example, I found SHARE investing in a new handloom project in a period when handloom seemed to be under severe assault from powerloom in the market. The best way to explain this seemed to be that a government grant program was subsidizing training and infrastructure.

**Trade Contacts and Technical Assistance**

All of the organizations studied benefited from both trade contacts and technical assistance (product design, dying techniques) provided by government and/or foreign funders. In general, these contacts had important benefits for the organizations’ bottom lines and seemed to encourage, rather than undermine, the development of efficient businesses and effective organizational structures. In Tamilnadu, government assistance to cooperatives in marketing is
often extensive.\textsuperscript{7} However, its assistance to palm-producers has been limited to providing circulars with information about potential domestic and foreign trade-partners, sponsoring crafts exhibitions where producers can make contact with potential buyers, and occasionally providing special technical assistance programs, \textit{e.g.}, on the use of natural dyes.

For the producers studied, foreign assistance has been far more substantial. All three organizations were in trade partnerships with European, American, and in some cases Australian and Japanese alternative trade organizations (ATOs), including Oxfam Bridge. These non-profit organizations have the established mission of promoting economic development through “fair trade,” generally with partner NGOs and cooperatives in developing countries. My data, reviewed in Chapter 4, suggested that these organizations relied on these trade relationships for much of their profits, despite the fact that this trade was highly cyclical. Further, at least some of the ATOs provided additional assistance to the organizations in the form of design consultation and management training programs. The organizations uniformly reported that these were helpful and helped them to produce products that were desirable on the international market, which they otherwise had great difficulty accessing.\textsuperscript{8}

One of the reasons that these international marketing outlets have been beneficial is that they have provided technical assistance while simultaneously demanding high quality products. Other researchers have also found this combination of support and demand for high quality to be important for producer organizations. Based on a study of 100 Indian cooperatives, Tushaar Shah (1995) has observed cooperatives that rely on government outlets for their sales or sales contacts

\begin{footnotesize}
\textsuperscript{7} The most notable example is Cooptex, a statewide marketing body that supplies weavers’ cooperatives with 50\% of their yarn and guarantees to market 50\% of their products through state-owned stores.
\textsuperscript{8} All of the organizations reported that they were attempting to identify suitable for-profit trade partners. However, particularly internationally this had been difficult, since both the timelines for production and the scale requested by major for-profit international buyers is often beyond their capacity.
\end{footnotesize}
are most likely to be high performance if the government customer demands high quality. Other researchers have arrived at similar conclusions based on observation of both for-profit and non-profit supply chains (Tendler and Amorim 1996).

At the same time, there has been a significant down-side to both the government and foreign trade programs. This has been that, like grant programs, these programs have tended to encourage organizations to produce products like handicrafts and handloom that are ultimately limited in terms of their total returns, even for these exceptional producers. This pattern not only encourages high-performance organizations to stay in these crafts. It may also lure less exceptional producers to pursue these products that, as I show in Chapter 4, are inherently problematic.

Conclusion

As demonstrated by my cases, NGO and cooperative producer organizations can take a vast array of different forms and adopt different goals based on forces that come both from inside the organizations and from outside the organizations. State regulations mandating organizational form can have a critical influence, as suggested by the radically different levels of worker input in RTU when compared with SHARE and Manapad, both of which had been shaped by government laws requiring worker participation. In SHARE’s case, initial formation as a cooperative set the stage for ongoing worker participation, even when the organization changed its formal registration. The tendency to incorporate workers into management structures, which yielded real organizational benefits, was supported by the ideology of the organization’s professional management staff. Thus, consistent with the literature, my findings also confirmed how important founders’ ideology is likely to be in establishing organizational goals and forms.
This chapter also offered several lessons about state and funder involvement in NGOs and cooperatives. These included:

- **Government has damaged producer organizations when it has become too involved in day-to-day organizational management.** In Tamilnadu, this has most notably included government “take-overs” in which worker executive boards have been replaced by government functionaries even when they have performed well.

- **Government regulation that explicitly requires cooperative producer organizations to be governed by an executive board of seven worker members has effectively encouraged greater worker participation in management structures.**

- **Both government and foreign organizations have effectively assisted NGO and cooperative producers by offering them marketing outlets, helping them to identify market outlets, and helping them to design products attractive in various market niches.** For the organizations studied, these support elements have been particularly effective because the assistance has been linked to the quality of products actually produced.

- **While government and foreign assistance clearly helped the organizations studied to perform better in particular producer activities, it has also encouraged these and similar, less successful organizations, to pursue products that yield relatively low returns.**

- **IGPs may require extensive financial support for many years before they become profitable, and will often require some level of support even after this point.**
Chapter III

Participation and Hierarchy

This chapter addresses several questions that appear frequently in the literature on NGOs and cooperatives and in discussions among those who run these organizations:

1. Is it possible for a producer NGO or cooperative to be truly participatory and still run a viable business?
2. Is a hierarchical organizational structure necessary or desirable?
3. How does an organization create a structure compatible with achieving business and other goals?

NGO producers and cooperatives have often sought to differentiate themselves from other forms of for-profit organization through their “participatoriness.” Since the 1970s, the terms “ground-up,” “grassroots” and “participatory” have been used by the NGO community to explain what makes NGO work special and different both from the activities of for-profit institutions and from government agencies. NGOs assert that they are better at doing development work than governments precisely because they respond to local communities more effectively than top-down bureaucratic structures (Sanyal 1994; Galjart and Buijs 1982). Even more than NGOs, cooperative organizations are assumed to involve participation by members and “participatory firm” has become almost a synonym for cooperative (Svenjnar 1982). Cooperatives that are unable to maintain the active participation of their workers in decision-making are often viewed as corrupted or undeserving of the cooperative name (Rothchild and Whitt 1986). Complementary to this emphasis on participatoriness has been a disdain for hierarchical forms of organization.
which may place too much power in the hands of a relatively limited number of managers, development experts, or government officials.

Yet a considerable body of literature on cooperatives and NGOs questions both the viability of a participatory approach and whether, in practice, the majority of cooperatives and NGOs are participatory. Bishwapriya Sanyal (1994) has pointed out that close interaction with the government has been a hallmark of successful NGO programs, and that the direction of these programs has often been influenced by government support. This tends to belie NGOs’ claims to shape strategies based primarily on the input of local communities. A wide range of case studies in many different developing countries supports this finding. For example, studying non-profit private voluntary organizations in several developing countries, Warren Van Wicklin (1987) found that many non-profits were not participatory but were rather top down organizations in which decisions about both strategy and service provision came from the upper levels of the organizational hierarchy, rather than from the community. Studying NGOs in Zimbabwe, Jessica Vivian and Gladys Maseko (1994) arrived at a similar conclusion.

The literature on cooperatives also suggests that cooperatives have not consistently lived up to their promise of high levels of worker participation. A body of theoretical literature dating back to Marx argues that cooperatives inevitably revert to a hierarchical structure in which elite managers gain control of the organizations. Some analysts attribute this to external forces of degeneration—the pressures on cooperative enterprises to mirror the behavior of the capitalist enterprises with which they compete. Others see the problem as intrinsic to the cooperative structure, e.g., analysts who argue that democratic decision-making is so unwieldy and transaction costs of group decision-making so high that cooperative members will be forced into dependent relationships with their managers (Cornforth 1988). The empirical research confirms that many
cooperatives are not truly participatory. In a study of modern cooperatives in the United Kingdom, Mary Mellor, Janet Hannah and John Stirling (1988) conclude that genuine participation in decision making within cooperatives is severely limited. While most writers on cooperative structures do not believe this tendency is inevitable, most also recognize that successful cooperative businesses vary widely in the degree of democratic participation in management (Cornforth 1988; Abell and Mahony 1988; Baviskar and Attwood 1995). Some authors see lack of democracy as a tendency to be opposed; other pragmatists argue that it is the only way for organizations to run their businesses effectively. For example, based on a study of cooperatives in Bolivia, Judith Tendler has argued that cooperatives that adopt a permanent hierarchy of skilled managers actually have a much better chance of survival than those that rotate positions of power to maintain a more democratic structure (Tendler 1988).

At the same time the actual amount—and desirability—of worker/member-participation in NGOs and cooperatives has been brought into question, worker participation has become fashionable in the business sphere. As the editor of one volume of business case-studies writes, her collaborating authors suggest that, in the participatory management approach, “they have found a ‘miracle’ solution to virtually any organizational condition or situation, regardless of industry, economy, or culture.” (Troxel 1993, xviii). Indeed, even management guru Peter Drucker has argued that for-profit organizations have a great deal to learn about participatory management from non-profit groups. (Drucker 1992)

This brings us to the question of whether NGOs and for-profit businesses are on the same page when they write about worker participation. In the for-profit management sphere, participatory management generally refers to efforts to seek answers from within the organization, rather than from the outside, by tapping the tacit and explicit knowledge of employees. It generally
implies greater willingness on the part of those responsible for traditional management tasks to listen to the input of those involved in production tasks. It also generally implies some degree of increased autonomy and devolution of power to groups of workers. In the business sphere, this reflects a transformation in organizational culture and form away from the mass-production “Taylor” model and toward the use of self-managed teams (often referred to as the “Japanese model”). It does not, however, imply lack of central leadership. Increased interest in worker participation in the business sphere has come hand-in-hand with ongoing interest in the importance of leadership in guiding organizational structure, form, and culture (Troxel 1993; Schein 1992).

In contrast to the view of worker participation espoused in the business literature, the literature on NGOs and cooperatives is far less clear on the compatibility between leadership (implying some hierarchy) and participation of worker members. As discussed above, much of the theoretical literature on cooperatives is concerned with the extent to which they are likely to degenerate, including among other things, when the control of the organization becomes concentrated in the hands of a few (Cornforth 1988). In the context of the producer NGOs and cooperatives studied for this thesis, a participatory organization may be defined as “an organization in which the members exert influence on management and decision-making.” (Buijs and Galjart 1982, 13). This begs the question, however, of exactly how much influence members exert and in what kinds of decisions. One purpose of this thesis is to explore not whether or not the organizations studied are participatory or hierarchical, but rather in what ways are they participatory and hierarchical. As suggested by the business literature, these terms are not necessarily incompatible except at their (impractical) extremes: where workers have no decision-
making authority whatsoever or where they, as a collective, make all organizational decisions from strategic management to inventory purchase.

To understand participation in the organizations I visited, I had to understand: (1) at what levels of the organizational hierarchy different kinds of decisions were made; (2) whether workers had access to levels of the organizational hierarchy where important decisions were made; and (3) the weight given to worker input in final decisions. A more participatory organization would give heavy weight to the input of workers, while a less participatory organization might have few formal mechanisms for incorporating worker input and would be likely to give little weight to worker suggestions.

To understand hierarchy in these organizations, I had to understand both the division of labor within the organizations and the extent to which upper level staff had active control over the activities of lower level staff. A more hierarchical organization would have a rigid, multi-layered line of command and a high supervisor/worker ratio, while a less hierarchical organization would have a flatter organizational structure. A more participatory organization could also be more hierarchical, if workers either had opportunities to move into the organizational hierarchy or to influence the decisions of the hierarchy in significant ways.

<table>
<thead>
<tr>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hierarchy</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Middle</td>
</tr>
<tr>
<td>High</td>
</tr>
</tbody>
</table>

Table 3.1: Participation and Hierarchy in RTU, Manapad Coop, and SHARE
Following the rough taxonomy laid out in Table 3.1, Reaching the Unreached was the least participatory of the organizations visited. It allowed worker input into only the most trivial of decisions, e.g., where they wanted to go for an annual field trip, and none of the management positions were filled by workers who had moved up the ranks. At the other end of the spectrum, SHARE seemed to offer greater opportunities for worker input than any of the other organizations. This included participation at the highest levels of decision-making in the organization by women executives drawn from the community. Manapad Coop fell somewhere between these two groups: it offered workers opportunities for informal input into day-to-day operations but quite limited formal authority to change the organization’s direction.

This ranking for participatoriness did not exactly parallel the ranking for level of hierarchy. RTU’s weaving operation did have the most hierarchical structure, as well as the least participation, because it employed supervisors and managers of several different ranks who constantly monitored the performance of lower level workers; moreover its ratio of managers to workers was high: five managers for 75 weavers in the handloom unit. SHARE had a similarly high worker/supervisor ratio, with 35 teachers, managers and professionals for 800 part-time workers. Manapad, in contrast, was the least hierarchical of the organizations by this measure: it had only 5 staff members (three with management and professional functions; two responsible for packing and physical labor) for more than 400 workers, and these managers had very little involvement in supervising the actual production activity—although they might reject a product at the end if quality was not satisfactory.
Leadership: Where Participation and Hierarchy Meet

I have argued that SHARE was more participatory than Manapad, that was in turn more participatory than RTU. But how was this participatoriness operationalized in a way compatible with a hierarchical organizational structure? It was not through direct democracy. Instead, “worker participation” in both SHARE and Manapad meant that a much smaller group of craftwomen at once represented worker interests and participated in managing the organization.

Calling this kind arrangement participation presents some theoretical problems. First, there were situations in which the interests of workers and managers/executives might diverge even if the managers were craftworkers. For example, as discussed in Chapter 5, leaders might be more interested in enhancing the status of the organization and thus their status, while workers might be more interested in salaries. Second the selection of these executives/managers was only marginally democratic. For example, SHARE’s project coordinator, Mr. Murugesan had previously selected those women he thought should be executives from the ranks of craft teachers. Under a newer system, each village production center was asked to put forth a candidate, and the current executive board members, in conjunction with Mr. Murugesan, would select the best candidates. Yet even this revised system gave members only limited control over leadership selection. Similarly at Manapad, villagers had actually only experienced something like true democratic representation for a period of seven months in 1991. Prior to this, from 1972 to 1991, villagers had been allowed to select only five of the seven representatives, while the rest were selected by the government. Subsequent to this, the government had completely dissolved the cooperative’s executive board, thus, effectively, leaving in the hands of the organization’s accountant, Mr. Chandrasekar, what input he would accept from former leaders and current members.
Despite these theoretical difficulties, in practice, it seems reasonable to call what happened in SHARE and Manapad “participation” for two reasons. First, in the organizations studied, the most obvious dichotomy was between outside experts—social workers and accountants—who came to assist the local community and beneficiaries who came from inside the local community. While the outside experts generally had college degrees, were usually male, and commanded professional salaries (even if low by Indian standards), workers drawn from the community were generally female, rarely educated beyond the 10th grade (if that), and, even in positions of some authority commanded relatively low salaries. Indeed, executives in SHARE and Manapad received no direct financial compensation for their leadership role, though they were paid for craft work, design, and teaching. Thus, they were in a better position to reflect real worker interests than professional staff, even if they were not typical workers.

Second, members tended to recognize the legitimacy of leaders based on leaders’ experience in the craft, age, and management skill. Professional staff could thus to some extent manipulate the selection of leaders as long as they did so in a way that was compatible with these criteria. Worker input in the selection process clearly enhanced legitimacy, as was evident from Manapad, where workers were eager to return to more democratic selection procedures and greater control by women executives. However, as SHARE’s experience suggested, legitimate leaders could also be selected through less democratic procedures.

Finally, there was no evidence that most workers wanted to participate directly in management decisions. As some research on cooperatives in other countries has suggested, not all workers are interested in having authority in organizations at this level (Rothchild and Whitt 1986). The vast majority of workers, research suggests, are primarily interested in having some autonomy over their own work, rather than over the strategic direction of their organization. My
research seemed to confirm this. Most workers I interviewed indicated that they were reasonably happy with the way the organization was run and were perfectly content to leave strategic decisions to leadership who “knew better.”

Participation and Hierarchy: Levels of Influence

Decision-making in a productive organization can be seen as falling into four broad categories:

- **First order strategic management.** This refers to broad questions of organizational priority and direction, *e.g.*, what will be the organization’s primary focus, goal, and structure? Who will it serve? Many of these questions relate to the way the organization positions itself in relation to *external* market and funder sources.

- **Second order strategic management.** This refers to questions that have significant implications for an organization’s structure but that do not change its “core” function, *e.g.*, how will the organization monitor the quality of its products? Will it open a new unit or close an old one? Most of these questions involve the way the organization relates to its *internal* constituencies, including workers and managers.

- **Maintenance management.** This refers to a broad array of daily, weekly, or monthly management and oversight tasks including, but not limited to: quality checks, inventory management (inputs and outputs), personnel management, and infrastructure management.

- **Production tasks.** Skilled and unskilled work that does not involve evaluating the performance of other workers.

Below, I look at the ways the organizations studied handled these types of decisions within their organizational hierarchies and the implications for other producer organizations.

**First Order Strategic Decision-making**

In their thoughtful analysis of cooperatives in various parts of the developing world, Abell and Mahony (1988) observe that among the areas in which cooperatives seem to have greatest
difficulty is the realm of entrepreneurial skills, i.e., the skills of positioning an organization to meet the needs and desires of a larger economic environment. My observations fundamentally support this conclusion. Although the organizations I studied were all relatively successful in identifying and positioning their products within an economic network, as well as (in the cases of SHARE and RTU), persuading foreign funders to support them, much of their strength in these areas came from the vision of their founders and professional support staff, rather than from within the village communities.

SHARE was the only one of the organizations that made a serious effort to incorporate village-level staff and executive leaders and (occasionally) members into first order decision making. To do this, it had to overcome two key problems: 1) the unwieldiness of incorporating too many people into decisions; and 2) the limited experience-base of most members of the organization.

The first of these problems was tackled by carefully delineated levels of authority. The organization’s seven executive members had final authority for major decisions within the organization. The organization’s craft teachers—staff on paid salary from the organization—had substantial opportunities for input into decisions and were, for example, asked for their ideas on new projects in staff meetings. Yet, everyone I interviewed was clear that input from these teachers, while substantive, was advisory rather than determinative: executives would listen, but the final decisions would be in their hands. Finally, input from the lowest levels of the organization—craft members—was largely symbolic. At annual meetings, craftwomen were asked to participate in making strategic decisions. Yet, when asked how decisions were actually made in these meetings of 800 people, they consistently responded that they followed the advice of their leaders, “who know what’s best.”
The second obstacle to including craftwomen in strategic decisions, limited experience-base, could be more problematic. SHARE attempted to overcome this by increasing the exposure of its staff and leaders to the outside world. Staff were sent at considerable expense to tour other projects around the state. Executives were sent to training programs and meetings that in almost any other organization would only have been attended by professional staff, e.g., a meeting of NGO producers from all parts of South Asia, including Bangladesh and Sri Lanka, where English was the only common language. It seemed likely that with this kind of world exposure executives would over time be able to launch major new initiatives of the first order strategic decision-making variety. However, the obstacles were clearly formidable.

This could be seen in organizational discussions about new projects. In the midst of contemplating diversification into new production activities, SHARE sent a number of the organization’s craft teachers to tour other parts of Tamilnadu where they could examine the production activities of other NGOs and cooperatives. After this experience, they were asked about their ideas for launching new products. In a staff meeting where this was discussed, teachers voiced their thoughts without hesitation and with the expectation that they would receive a serious hearing. They discussed the activities at the projects they had visited, what they liked and what they disliked. Yet it was also apparent from this meeting that there were no surprises—no novel ideas about new kinds of production activities and, in fact, a rather conservative bent to the women’s thinking. For example, handmade paper-making—an activity that had been fairly lucrative for NGOs in the Pondicherry area—was quickly dismissed by the women because part of the work involved standing in water—something women “could not” do. When I asked the organization’s project coordinator, Mr. Murugesan, why the organization was only looking at tasks that were fairly traditional for NGOs and, particularly, for rural women, he responded that
the women in the organization had not yet “advanced their thinking” to the level where they were willing to consider other activities. From the perspective of the outside social worker, including craftwomen in the decision-making process was more likely to dampen innovative strategy than to spur it on.

Because of this kind of problem, it seemed likely that even the organization’s executives, who technically speaking had the final word on strategic decisions, were heavily influenced by the opinions of Mr. Murugesan. Their decisions were always made in close consultation with Murugesan, and it seemed that on many issues they were more likely to respond to Murugesan’s inputs and suggestions than to pioneer new directions on their own. Everyone in the organization appreciated the crucial role he had played in the organization and, even when he questioned decisions on a fairly trivial issue, e.g., whether scholarships should be given just to girl students or also to boys, his position was generally sufficient to sway group opinion.

With its limitations, SHARE’s inclusive policies offered many benefits. The most important benefit was symbolic. By encouraging animators, through the formal mechanism of staff meetings, to voice their opinions about the organization’s direction, and by allowing craftswomen at the lowest levels of the organization to review and confirm this direction through general body meetings, SHARE demonstrated that it “belonged” to all these stakeholders. This publicly reinforced its educational message that women’s voices and opinions were important. It also helped to create an obligation on the part of members and staff to contribute to the organization at a level beyond mere employment. For example, since the women themselves had indicated that they wanted the organization to have its own home, in 1995 they were asked to contribute both a day’s worth of wages and some labor to building this. In an unprecedented
effort, hundreds of members and staff contributed to constructing a new office building and
warehouse for the organization.

In addition to these symbolic benefits, some of the input provided by women at the higher
levels of the organization was important. Women executives and animators brought a concrete
understanding of what was, and was not, helpful for craftswomen into strategic meetings. They
ensured, for example, that the organization would not move into a kind of production with which
leaders, and the participants they represented, were uncomfortable. Such input was critical to
maintaining a viable institution. “Advancing thinking,” as Mr. Murugesan observed, is a gradual
process. For an organization intent on doing this, pacing is critical. Mr. Murugesan’s close
collaboration with executives on strategic decisions ensured that the pacing of change was
suitable and helped to ensure that some of the strongest and most influential women in the
organization—the executive leaders—were firmly behind any organizational changes.

Were the benefits of participation—as construed by SHARE—worth the potential
drawbacks of expense, unweildiness, and slow development? Everyone in this organization would
have answered with a resounding “yes.” Yet unweildiness was a growing concern as the
organization expanded, a problem typical of both NGOs and businesses. Thus, in 1996, SHARE
was looking toward creating a number of smaller, more independent units and giving carpet-
making and weaving groups autonomy to make their own decisions. In this way, it hoped that it
would be able to maintain the benefits of “self-ownership” enthusiasm, cohesion, and personal
sacrifice among members and leaders without including such a large number of people in every
major decision. While this seemed like a plausible strategy, it remained to be seen how, in a more
decentralized structure, the group would be able to harness adequate entrepreneurial knowledge
of the kind necessary to build a truly successful IGP.
Second Order Strategic Decision-making

While many analysts have differentiated between maintenance management and strategic management tasks, they do not generally try to separate off the critical category I identify here. In practice, strategic management includes a vast array of tasks, and only a small portion of these involve the fundamental vision and goals of the organization as they relate to the external environment of the broader economy, or, put another way, customer stakeholders, supplier stakeholders, and external funders.

Women leaders at SHARE and Manapad coop showed tremendous leadership capacity in second-order strategic decision-making, which, involves the ways in which an organization adjusts to its internal stakeholders, including the organization’s workers and managers and their families. Working within an organization whose broad outlines had already been established with professional help, the leaders of SHARE and Manapad could improve it. They could see ways to enhance structures of production that even experienced professionals like Murugesan or Chandrasekar might not have seen. They could also speak to other craftswomen with the particular authority of leaders who understood first-hand what it was like to be a village palm weaver.

At Manapad cooperative, a former executive pointed out proudly several innovations for which she had been responsible in 1991. First, she had championed the use of individual passbooks to record each woman’s basket sales; this ensured that craftswomen had a record of their earnings, and it reduced conflicts about whether women were being paid correctly. Second, she had proposed the use of a chalk-board to inform women about new orders. This was a particularly significant innovation, since it alleviated craftswomen’s concerns about bias in the
distribution of orders. Under the old system, women had been individually informed about new orders by the coop administration. This created suspicion—possibly well founded—that some families were receiving more orders than others. Under the new system, which is still in use, the administration puts a description of the item to be made on a chalkboard with the first and last dates it will purchase the product. Within those dates, craftswomen may produce and sell to the cooperative as many of the products as they wish. Although the cooperative cannot predict precisely how many products it will purchase, it is sufficiently familiar with village production patterns that its guesses are quite close.

SHARE offered some similar stories. Craft leaders explained changes in quality control they had initiated. They also took credit for an innovation that had major cost-saving implications for the organization. This was the decision to begin charging craftswomen for their raw materials. Both SHARE’s leaders and professional staff claimed that once craftswomen leaders took over inventory control and began to recognize the wastage that occurred when materials were free, they persuaded other craftswomen that the system had to change.

The experience of both SHARE and Manapad emphasized the ways women craft leaders could substantially improve an organization, whatever the limitations of their educational background. While it might be difficult for women workers with little exposure to the world outside the village to see opportunities for new products and markets (classic entrepreneurial skills), this in no way limited their ability to contribute in other ways, including by developing innovative management practices that were suited to the village environment. Furthermore, because they were craftswomen themselves, they could sometimes persuade craftswomen to go along with management decisions that they would otherwise have opposed. In this they were not
simply management tools but honestly reflected their own impressions of what needed to happen for the organization to flourish.

Strikingly, the management of RTU attributed part of the organization’s poor economic performance to the fact that women in the organization did not feel it really belonged to them. The organization’s assistant director hypothesized that workers would be far more realistic about sustainable wage rates and production patterns if they were more invested in decision-making and felt that the survival of the unit rested on them. While there is no way to know whether this would actually have improved the organization’s performance, the business press asserts that participatory management is good for business, as well as morale (Troxel 1993). SHARE and Manapad’s experiences seemed to confirm this.

**Maintenance Management**

Observers of cooperatives in advanced industrialized countries have argued that cooperatives are better equipped to handle maintenance management tasks than strategic decision-making tasks (Comforth 1988). They point out that maintenance management tasks are, by definition, routine activities. There is some consensus on what these tasks involve. They do not inherently require visionary or particularly entrepreneurial skills, and cooperative members can therefore acquire these skills from each other with relative ease. On the other hand, when government bodies in India have worked to promote, support, or guide cooperative management, they have routinely given specially trained cooperative officers responsibility for maintenance management tasks on the grounds that cooperative members do not have the technical skills necessary for managing cooperative accounts, input purchases and sales (Rao 1979; Upadhyay 1973; Government of India 1981). On the whole, this government position seems well founded.
Analysts who have examined cooperative performance in less developed countries, as well as analysts who have examined the performance of NGO producers, commonly find that they are weakest in the area of management skills, including these day-to-day maintenance management activities (Abell and Mahony 1988).

Of all the organizations I examined, SHARE was the only one in which maintenance management was placed in the hands of craftswomen who had been promoted through the ranks of the organization. The organization’s capable and efficient craftswomen administrators underlined that it is possible for participants in such organizations to take over many day-to-day management tasks with sufficient time, training and support. However, organizers emphasized that these skills did not come rapidly. Instead, skills in managing inventory, managing staff, and selling products in other parts of India were developed over a period of nearly ten years. Some highly specialized skills, moreover, inevitably remained outside the hands of craftswomen leaders. These included skills in formal accounting (of the kind that would receive approval from an outside auditor) and in writing English language grant proposals and reports to various funders.

SHARE’s tremendous success in promoting craftwoman involvement in many daily management tasks contrasted with the minimal role they held in the other two organizations I studied. RTU’s management positions were mostly held by people from outside the local community, and there was relatively little space within the handloom unit for workers to advance to management positions. Although Manapad Cooperative had involved an executive board of craftwomen in strategic management until a government take-over, the only maintenance management job open to craftswomen within the organization was the seasonal position of teacher, which was not held on a continuous basis by any member of the organization.
SHARE reaped some significant benefits from including women leaders in maintenance management activities. One benefit was symbolic. SHARE as an organization was committed to increasing women’s authority in the community. By increasing their authority within the organization in very tangible ways, it demonstrated what it preached and it showed a fundamental respect for the skills of village women.

A second, critical set of benefits was in promoting organizational allegiance. Women entering this organization at its bottom rungs could see a career path. If they were ambitious and developed adequate skills, they could look forward to a salaried job, influence within the organization, and greater influence within their homes and community. SHARE itself benefited tremendously from having a large group of staff who were skilled in the craft, knowledgeable about the community, loyal to the organization, and clearly not preparing to leave after a few years on the job, as do many young professional social workers. Unquestionably, this large, relatively inexpensive staff made it feasible for SHARE to maintain its operations working with 800 women in more than 30 villages. In addition, these staff members could prove useful when SHARE was having difficulty completing an order in time: first executives, and then teachers would be drafted to produce baskets late into the night. In the tradition of businesses and organizations everywhere, in return for increased responsibility, SHARE demanded some degree of personal sacrifice.

The third and most important benefit was in the arena of human capital development. Both technical and leaderships skills are most effectively developed by the process of using them. By giving women real opportunities to teach others and learn a variety of technical and management skills by practicing them, SHARE laid the groundwork for some of these women to play much larger roles in the wider community. Hence the election of nine of these women to
local office. A further, unintended benefit this process may in time be the creation of largely independent branches of the organization. While it is difficult to know whether SHARE’s craft teachers and leaders will develop sufficient skills to run independent production units, this is not impossible. One of the weaknesses of NGOs that is commonly highlighted in the literature is that they often fail to grow and thus to reach more people (Hulme 1992). Another commonly highlighted weakness is that they don’t have the capacity to grow because of a dearth of skilled staff. SHARE’s decision to use craftswomen in technical management tasks could conceivably help to address both of these problems.

There were, however, some problems with using craftswomen in maintenance management roles. The biggest seemed to be that craftswomen were not good at all maintenance management jobs. At the time of my visit, SHARE was struggling with an oversupply of craft teachers. Many teachers had been hired to run village centers, but as workers became more experienced, constant supervision was not needed. One of SHARE’s solutions to this problem had been to change teachers into village animators and extend their duties to identifying village needs and educating villagers in areas beyond crafts. But doing this had exacerbated SHARE’s long-standing problem with quality control. Village teachers had often had difficulty rejecting baskets. Now that they were also to be responsible for general education, and not merely crafts, they were placed in an even more awkward situation. If they passed inadequate baskets, SHARE’s business would be in trouble, but if they rejected too many baskets, they might jeopardize their role as animators. SHARE’s solution to this problem was to move the responsibility for quality control to an executive board member. Nonetheless, the need for yet another layer of bureaucracy to check baskets highlighted the difficulties SHARE faced in balancing the advantages and disadvantages of employing craftswomen in maintenance management.
Sequencing Participation

My cases suggested that there was a continuum of responsibilities in which workers might be included. At one end of the spectrum were tasks in which workers could easily be included. At the other end were more challenging tasks in which worker participation might be problematic for reasons involving internal political dynamics and technical complexity. These were, however, also the tasks that yielded greatest benefits with respect to the human capital development of worker-leaders. To obtain the benefits of worker participation, the delegation of responsibilities to worker-representatives and staff members promoted from the community needed to progress from tasks that required less technical know-how and less organizational risk to tasks that were both more technically difficult and more organizationally challenging.

Easier tasks included:

1) **Responsibility for decisions that are not core to the organization’s survival**, *e.g.*, deciding what needy community causes should receive donations or how worker common-good funds should be spent.

2) **Inclusion in decisions about the broad outlines of the organization’s internal structure and procedures** and its interaction with workers and the local community, such as appropriate pay scales and *procedures* for quality assurance and quality control (Second Order Strategic Decision-making). This did not include actually doing the quality control or making work assignments, but rather determining the organizational procedures for accomplishing these tasks.

More difficult tasks included:

3) **Decisions about the overall direction of the organization and its relations with the outside world** (First Order Strategic Decision-Making).

4) **Inclusion in maintenance management tasks**, *i.e.*, in the actual activities of assigning responsibilities, checking quality, and maintaining inventory.
The organizations studied arrayed themselves along this continuum. RTU had only gone as far as the first category. Manapad had proceeded to the second and third. SHARE included workers in all four categories. SHARE, moreover, had gone systematically through each of these categories over many years as the skills of its craftswomen leaders improved.

Stage 1 included the easiest tasks for worker participation. In SHARE, this included the distribution of special funds and programs, e.g., scholarship programs, nurseries and after-school tutorial programs. These decisions were left far more in the hands of animator staff-members than other kinds of decisions about the organization form or goals. In Manapad, decisions about non-production activities would also normally have been under the control of executives from the community (because the executive board had been suspended by the state government, nobody had authority to make them). Even RTU allowed workers autonomous control over a bonus fund which they could use for tours and other special programs. Authority to make these kinds of modest management decisions can assist workers in strengthening their decision-making skills. Where authority is delegated to craftswomen leadership or staff (e.g., craft teachers), it can solidify these leaders’ positions as community representatives, since they are directly associated with benefits. Because such decision are generally visible, accountability is high. Finally, because these tasks are by definition peripheral to the organizations core activities, even serious errors in this category are unlikely to endanger an organization’s long-term survival.

Including workers in Stage 2 was somewhat more difficult than Stage 1, but yielded tremendous rewards. The experiences of both SHARE and Manapad demonstrated that including community leaders in decision-making at the second-order strategic level is both feasible and beneficial. Mistakes at this level of decision-making are more visible and easily monitored by both beneficiaries and professional staff than either first-order decision-making or maintenance...
management decision-making. If a new quality-assurance approach innovated by a leader is not working well, it will be quickly apparent to many people involved in the organization, and it is therefore likely to be rectified quite quickly. On the other hand, an organization that enters the wrong product market following the ideas of a community leader, is likely to either collapse quickly and entirely or, if it receives outside assistance, suffer a long slow death. Thus, including workers in Stage 3 seemed important and beneficial but appeared to be most beneficial and least risky when it involved collaboration with professional staff.

Stage 4, maintenance management, was the most challenging of the four categories. It posed both technical challenges and interpersonal challenges because of the potential for conflicts between individual managers and individual workers, e.g., over adequate performance. Further, many maintenance management tasks are not visible. If a worker leader takes over inventory management and does a poor job, this may not be apparent until the organization is in crisis—either without supplies or without products to function.

Conclusion

Some literature on cooperatives and NGOs suggests that good organizations promote the broad-based participation of their members in decision-making. Other literature in the planning field suggests that cooperatives and NGOs that adopt this strategy are unlikely to be viable; these authors tend to argue that decision-making hierarchies are both necessary and effective. Yet more pragmatic literature in both the planning and the business fields recognizes that both participation and hierarchy are beneficial and compatible.

The organizations that I studied supported this perspective. Among the three organizations I examined, only one, SHARE, had procedures for incorporating beneficiary input
into virtually all levels of decision-making within the organization. Yet, even in this organization, direct input from the lowest level of the organization—craftwomen—was largely symbolic and carried out at a large annual meeting. In practice, most strategic decisions were arrogated to a small group of craftwomen leaders, essentially hand-picked by the organization’s professional staff, the project coordinator. Some administrative decision-making was also in the hands of village teachers, and these staff also had the opportunity to provide formal and informal input into the executive group’s decisions, but final authority remained with the executives and the project coordinator.

If SHARE offered only limited opportunities for direct beneficiary input into major decisions, Manapad and RTU offered less. In Manapad an executive board not unlike SHARE’s had been dissolved by the government so final authority rested with professional staff and a government appointee. Former leaders had informal input. RTU had never offered opportunities for beneficiary input—representative or otherwise. All of these organizations, in practice, ran successful businesses; yet RTU seemed to face more problems than the other organizations both with respect to morale and with respect to viability.

What are we to make of all this? First, these organizations tended to highlight the benefits of hierarchical structures. Well-organized systems of authority allowed all the organizations to make decisions efficiently and thus run effective businesses. However, as SHARE demonstrated, if the hierarchy incorporated promoted workers, it could create a career path along which workers with limited formal education could influence their communities. This, in turn, encouraged members’ allegiance to the organization and their sense that the organization was theirs, even though members had limited direct control. Consistent with this, RTU could be seen as troubled not by lack of worker participation or direct democracy in the organization in general,
but by lack of opportunities for talented worker-leaders to climb up the organizational hierarchy into positions of authority. What RTU’s unit lacked, as its assistant director recognized, was a feeling among workers that the organization belonged to them. But, as both SHARE and Manapad Cooperative demonstrated, these feeling could be created by the symbolic involvement of workers in some decisions, e.g., through annual general body meetings, and by the actual involvement of a far more select group of beneficiaries in real decisions.

The evidence from these cases and the literature also suggest that it may be easy and effective to incorporate beneficiary representatives into decisions about the organization’s internal functioning and internal stake-holders, including workers, managers, and community. Beneficiary representatives are probably not formally included in this class of decisions as much as they could be, particularly in NGOs where there is no formal requirement for executive boards made up of workers. On the other hand, because of their limited exposure to the world outside the village, as well as (in the South Indian setting) language constraints, most rural beneficiary groups will continue to require professional guidance in the more entrepreneurial aspects of starting and growing a successful IGP, i.e., identifying appropriate products, markets and funders.

The SHARE case also suggested that the opportunities for incorporating beneficiary/workers in maintenance management tasks, e.g., inventory, quality, and even personnel management, may be underutilized by many NGOs and cooperatives. As SHARE’s experience demonstrated, building worker capacity in these areas may be time consuming and costly. However, for organizations that are committed to long-term community involvement, building these skills can facilitate the organization’s cohesion, increase both worker and organizational influence in the community, and lay the ground work for long-term growth or new spin-off businesses and community organizations.
Handicraft and handloom production are among the most common projects selected for NGO and cooperative income generation projects in India and other parts of the world. For nearly two decades, researchers have pointed out weaknesses in these product choices. Nonetheless, many organizations continue to pursue them. This chapter explores two questions:

- Do these critiques hold for large sophisticated organizations such as those I studied?
- Even if they do hold, are there any reasons organizations should continue to pursue such products?

The Market for Crafts and Basketry

Since the 1950’s, the Indian government has led virtually all other Asian countries in policies to promote crafts. As a result, India is one of the few countries in Asia in which crafts have been developed as a significant economic sector (Pye 1988). The number of new jobs in crafts more than tripled between 1961 and 1981 to 3.5 million workers, nearly the equal to the job growth in the public and private formal sectors combined. At the same time, the value of production increased in constant dollars from Rs. 1 billion in 1955 to Rs. 37.5 billion 1983-84 (1996 exchange rate was Rs. 35 to the dollar); and by the early 1980s, crafts were 16% of India’s total exports (Pye 1988). Basketry, including bamboo, rattan, and palm, have been particularly important areas of growth, accounting for a quarter of the new jobs in the sector (Pye 1988, 59).
Although NGOs and cooperatives have been active in the sector, very little of this growth can be attributed to them. Both the state and central government have promoted handicraft cooperatives since the 1950s. NGOs have been active in this arena since before independence, and have received varying levels of government support since independence, including funding for training programs and infrastructure (Pye 1988; Kudva 1996). Nonetheless, NGOs and cooperatives are an insignificant presence in handicrafts overall. According to one estimate, only about 2% of artisans are actually organized in cooperatives (Pye 1988 citing Taimni 1981). Most NGO and cooperative handicraft producers in South India make low-quality products for sale in government shops, and very few are involved in export (Personal Communication, N. Nagaraju, Office of the Development Commissioner Handicrafts (Government of India Ministry of Textiles), July 30, 1996). This is consistent with the conclusions of literature on NGO and cooperative activities in these areas. For nearly twenty years, researchers have voiced disappointment about the overall viability and performance of both cooperatives and NGOs involved in this arena, which have often collapsed or simply not grown to have the economic impacts originally anticipated (Pye 1988; Dhamija 1981; Rao 1979).

The organizations I studied are thus unusual. They are members of an elite group of NGOs and cooperatives that make high quality handicrafts for export. Four NGOs and cooperatives, including two I studied, are among the largest high-quality palmcraft producers in Tamilnadu and among the few palm-producer groups that regularly export.

---

9 Interviews: Gita Ram, Madras Crafts Foundation/Crafts Council of India (7/4/96); J. Nagaraju, Assistant Director, Crafts Development Center Bangalore, Development Commissioner Handicrafts (Gov’t of India Ministry of Textiles) (8/16/96); H. N. Aswathanarayan, General Manager, Madras Branch, Handicrafts and Handloom Export Corp. Of India (8/20/96); K. Panchaksharam, South India Producers Association (7/3/96); Murugesan, SHARE (7/22/96); Chadrasekar, Manapad Cooperative (8/1/96); Ram Bhat, Consultant to GTZ (8/17/96).
Craftswomen...

and their products
The products these organizations make are attractive. They also innovate frequently, producing dozens of new design samples each year. Domestically, their products sell to upper-class Indians, primarily in North India. Internationally, they sell primarily through alternative trade organizations such as Oxfam which market them through catalogs and fair trade shops. They also have access to for-profit channels, including upscale foreign boutiques and department stores, through direct sale or export agents. The prices they can command are thus among the highest available to palm-product producers, both in domestic and international markets. Yet my findings suggest that even for such elite producers, returns are constrained by the nature of their product and national and international competition and demand.

Production and Marketing Challenges

Critics of NGO and cooperative participation in the handicraft arena have highlighted three major concerns with these products. 1) Handicrafts are not easy to make, and making crafts suitable for upscale markets may require years of practice and training as well as access to information about upper-class and international tastes and markets; 2) Handicrafts face a variable international demand cycle; and 3) handicrafts considered suitable for women are often among the most poorly remunerated. I would add to these two additional problems particularly relevant for the palm basket producers I studied: 4) high levels of international competition in basketry in particular; and 5) non-durability of palm products when compared to other basketry materials.

The organizations studied had clearly overcome the first of these problems. Initial training in Manapad and SHARE, subsidized by government and foreign funders, was sufficient over the course of several years to bring communities with limited or no knowledge of the crafts to a high level of competency. These organizations also overcame the problem of product design and
knowledge of international and upper-class tastes. Both organizations learned new designs from purchasers, and SHARE in particular tapped its early foreign leaders and frequent foreign visitors for ideas about what products foreigners liked. Both organizations also tapped the creativity of members by purchasing new designs that could be offered as samples, and, in the case of SHARE, creating annual design competitions.

Despite these successes, these organizations’ experiences demonstrated how difficult crafts are to do well. For example, each organization felt it necessary to offer several training programs each year aimed at improving the skills of current producers as well as teaching more basic skills to new members. Even with a large number of trained producers to guide them, craftwomen reported that basic training took three to six months and it might be several years until a woman could produce high quality products with reasonable speed. Each organization also had formalized quality control procedures that regularly resulted in the rejection of substandard baskets. These training, innovation, and quality control procedures showed that handicraft production problems can be surmounted by NGOs and cooperatives, particularly when they have effective access to external funding for training and external contacts for ideas. However, they also helped to explain why so few NGOs and cooperatives have been equally successful.

The other obstacles that commonly face craft producers presented even greater problems for these sophisticated organizations. I review these below.

**The Problem with Palm**

Palmleaf became a target of government development efforts in the 1950s because of its economic linkages to Palmyrah trees cultivated for other reasons, particularly to make palm sugar and thatch. When palmyrah was plentiful, using soft palm leaves to make baskets seemed to be a
good way to use a waste or almost-waste product. Palm products overall are still about 20% of all cottage industries output in Tamilnadu, and Tamilnadu claims over 75% of the all-India output of palm products (MIDS 1988).

Yet, for making baskets, palm has some deficiencies. Palmleaf baskets are not sturdy. They may last six months or a year, but this is less than many comparable products. Further, palm leaves becomes yellow during the rainy season from fungal attack. Thus producing organizations must suspend or greatly reduce production for two months of the year and/or invest in expensive heaters to keep storerooms dry. Finally, because of a decline in the number of slow-growing palmyrahs in the state, prices of leaves have risen to the point that they now account for between 25 and 50% of the cost of some products, when at one time they were an insignificant expense.

These problems made SHARE and Manapad Cooperatives’ baskets poor competitors against both lower-end, more utilitarian baskets and against other high-end baskets. Neither Manapad nor SHARE attempted to compete at the low end of the domestic market, since, once transport costs and trader mark-ups had been figured in, either one of the organization’s sewing baskets might sell within India for Rs. 60 or more, or about the cost of six meals at a simple restaurant—far beyond the reach of the poor. At the high end of the market, the goods had virtually no purchasers in South India, where buyers were uninterested in these traditional “dull” products. In the North, they had a market in elegant craft shops but competed against sturdier, and also attractive, bambooware.

In the international market, palm baskets competed with attractive baskets from China and other parts of Asia made out of lacquered reeds. Marketing officials from the South India Producer’s Association complained that Chinese basket prices were so low that China must either
be “dumping” products on international markets or production must be semi-automated. An additional explanation may be transport costs. As Kathuria (1988) has demonstrated, craft shipment from India to the U.K or U.S. has consistently been higher than costs from China for reasons that are not clear. This can be very significant for high-volume, relatively low value products for which shipment costs can be more than the value of the product itself. Baskets from Africa also presented serious competition to Indian palmleaf. Although Oxfam and similar alternative trade organizations (ATOs) were committed to giving producers fair prices, they were clearly constrained by the prices they could ask for in their catalogs and shops. If palm baskets were far more expensive than other kinds of baskets—some of which came from even more economically deprived places—even “socially responsible” purchasers were likely to think twice.

The Cyclical International Market for Handicrafts

The organizations I studied that drew down large profits were generally able to so because they exported regularly. In all cases, the organizations reported that they had actually been losing money until they began to sell at least some products abroad through Oxfam or similar ATO’s. International buyers are consistently willing to pay higher prices than local Indians because of the favorable exchange rates, the ability of the organizations I studied to fill large orders and get them “on board” for shipping, and (in some cases) commitment to fair trade. Data analysis shows that even when foreign trade has been unstable, it has been the organizations’ primary source of profits. For example, regression analysis of Manapad’s sales figures for the past 10 years, when exports have rarely been more than 30% of sales, indicates that level of exports still explains 68%

---

10 Cruder and cheaper palmcrafts are available as tourist souvenirs in many temples in South India, but this is a different segment of the market with generally lower returns to weavers.
of the organization's gross profit margin, and almost 75% of annual profits. Thus, as can be seen in Figure 4.1, although sales have grown tremendously in the last ten years, profits have not because most of these sales have been domestic.

![Figure 4.1: Manapad Sales, Exports and Profits](image.png)

Despite the larger profits available internationally, targeting these markets has been risky because of their instability. Considerable research has shown that fluctuating sales are a serious problem with the international craft market because crafts are luxuries, and a product that makes a good gift in one year is no good in the next (Dhajima 1981). In Manapad's case, the evidence for this was very clear. For example, in 1982, Manapad exported over Rs. 200,000 worth of goods, but by 1986, this number had dropped to exports of Rs. 25,000 or about 12% of the amount exported just four years earlier. By 1992, exports had increased again, to over Rs. 400,000, but by 1996 they were down to only Rs. 17,000, or 5% of the previous high. Because of this,

---

11 Kathurai (1988) found that volume-based shipment from India to the U.S. was generally 25% more than shipment from China in 1982, and that this added substantially to the cost of Indian goods.

12 Coefficient of determination (r-squared value) for sales figures from 1986 to 1996, where the dependent values are, respectively, value of sales less value of production and profit, and the independent variable is export sales.
Manapad has had to compensate with domestic sales, which have grown steadily from just Rs. 90,000 in 1982 (less than 30% of its market) to Rs. 995,000 in 1996 (over 95% of its market).

SHARE too has felt the impact of the swings in the handicraft market, although, at the time of my visit, it was just beginning to feel the effects of the downswing. Between 1992 and mid-1996, its sales almost quintupled from Rs. 740,000 to Rs. 3,400,000, with increasing amounts of its high profits based on export: 70% of its Rs. 1,500,000 sales were export in 1994; by 1995, sales were up to 2,000,000 and exports now made up 99% of the organization's sales. Yet staff was concerned that these massive export figures were on the decline. Although the organization had posted further large sales gains for the 1995-96 fiscal year, exports in mid 1996-97 were down again, to 75% of the previous year's level, and the organization was acutely aware that one of its largest buyers—Oxfam—had cut purchases by 60% since 1992.

The variation in international sales presents serious management problems for handicraft NGOs and cooperatives. First, an organization that relies primarily on international sales may not be able to guarantee steady employment. Second, even if an organization sells domestically as well, it will have difficulty stabilizing profits and wages as long as international sales fluctuate. For these reasons, even organizations such as Oxfam that have traditionally marketed handicrafts have encouraged handicraft producers to move into different kinds of products that may have more reliable international, as well as domestic, markets. For example a number of ATOs and government agencies in India are now encouraging programs in agricultural products and prepared foods, rather than handicrafts.

---

13 It is not entirely clear why international sales should be so much more cyclical than domestic sales. Part of the answer may be that the international sales are through a much smaller number of organizations that sell repeatedly to the same customers through catalogs. Domestic sales, in contrast, are targeted to many smaller outlets in various parts of the country. These may serve a larger base of walk-in customers.
Wages

The above data suggest that product and market limitations are by far the biggest constraint both on the wages organizations pay their workers and on any profits that might be allocated to other projects, e.g., infrastructure or non-production programs. This is at least the case in the absence of any major technological changes that might increase productivity.

Table 4.1 below compares wage-data for SHARE, Manapad, a for-profit palm-leaf producer, and employees of state-government owned Palmgur Corporation. All of these organizations produced higher-end palm handicrafts. These figures are very rough, because they are based on worker and employer estimates of daily returns for full-time work. (Daily returns are actually generated on a piece-rate basis and vary based on the type of product, the worker’s skill, and actual hours worked). Yet they nonetheless suggest that SHARE and Manapad are at the upper end of salaries in the palmcraft basketry sector.
Table 4.1: Worker Earnings in Palmleaf Handicrafts

<table>
<thead>
<tr>
<th>Organization</th>
<th>Type of Group</th>
<th>Reported daily-wages, weavers</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHARE</td>
<td>NGO</td>
<td>15-20 (usual); 25 (max)</td>
</tr>
<tr>
<td>Manapad Cooperative</td>
<td>Cooperative</td>
<td>15-20 (usual); 25 (max)</td>
</tr>
<tr>
<td>Pulicat Cooperative</td>
<td>Cooperative</td>
<td>16-18 (usual)</td>
</tr>
<tr>
<td>Palmlleaf Training Center</td>
<td>NGO</td>
<td>25 (max)</td>
</tr>
<tr>
<td>Palmgur state-gov’t owned</td>
<td>state-gov’t owned business</td>
<td>12 (usual)</td>
</tr>
<tr>
<td>Master Craftswoman</td>
<td>for-profit business</td>
<td>8-16 (usual)</td>
</tr>
</tbody>
</table>

Other researchers have also found that handicrafts offer workers poor returns. A survey by Pye and colleagues of several thousand artisans in seven Asian countries found that, although family incomes of artisans are generally above the poverty line, younger people are not entering the craft field because returns to labor are low. The survey found that the problem of low wages in India was particularly severe “due to a vast surplus of labor and inability to organize for self improvement” and that, because of this “high export earnings have not been shared equitably with the artisan” (Pye 1988, 10). My research suggests that even where earnings have been shared reasonably equitably with the artisan, returns may be quite low.

The problem of low wages moreover—whether in non-profit or for profit enterprises—seems to be particularly severe for crafts in which women are involved. Jasleen Dhamija has also noted that the craftswomen are usually encouraged to pursue—including basketry—are among the poorest-paying of crafts. As she notes, “femininity lies primarily in the fact that [these crafts] are essentially time consuming, provide little income, and are not easily upgraded to yield a higher

---

14 Based on interview with cooperative’s professional staff at government-sponsored crafts fair.
15 Based on response to South India Producers Association questionnaire.
16 Based on interviews with workers and professional staff in the field.
price" (Dhajima 1981, 197) Notably, basketry is one of the only crafts in India in which the proportion of women employed has actually increased relative to men (Pye 1988). This may be, in part, a reflection of the fact that it is less remunerative than some other crafts. An informal survey of participants in a government-sponsored crafts fair suggested that crafts in which men participated (e.g., wood carvings, stone carvings, and leatherwork) commonly paid more than double what palmcraft workers made; and this would be consistent with the usual rural wage differentials for men and women in South India (World Bank 1991).

Handloom

The traditional handloom sector makes up as much as 25% of total manufacturing employment in India (Sandesara 1991) and is particularly important in Tamilnadu, which accounts for nearly 30% of national employment in the sector (MIDS 1988). The industry as a whole is complex and highly segmented by products, regions and communities (castes). Towel-production, the field in which RTU was active, is highly concentrated in just a few parts of the country, including the city of Madurai, about 40 miles from RTU. While many segments of the industry in Tamilnadu have been organized into cooperatives (60% in 1986; MIDS 1988), this is generally not the case in towel production, which is dominated by larger industrialists and master-weavers who coordinate production for hundreds of workers grouped in large workshops of 20-30 looms and/or by contracting out to weavers who own their own looms and produce in their homes. Also, unlike many other segments of the handloom industry, a large segment of the towel-production industry is targeted toward export. In 1995-96 it accounted for two-thirds of India’s export earnings in the handloom sector (Government of India 1996).

17 Based on interview with master craftswoman at a government-sponsored crafts fair.
Although it was not possible to identify any statistics on NGO involvement in this segment of the industry, there was consensus among those I spoke with that cooperatives played little role, and NGOs played virtually none. Reaching the Unreached was thus an anomaly. It stood out not only because it was one of the few NGO producers in this field, but also because it employed workers who were not from traditional weaver castes, was located far from any of the major centers of handloom towel production, and pursued different trade routes from most other towel producers, including trade through alternative trade organizations like Oxfam. It was also struggling to become profitable and had turned its first profit ever (1%) in 1996.

**Handloom Headaches**

RTU faced many of the same problems as the craft producers discussed earlier, and some additional ones. Like them, it had overcome, or was in the process of overcoming, some of these obstacles. This included learning how to make high quality products suitable for upscale and foreign markets. RTU was well positioned to obtain information about foreign markets because it had been started by an English missionary and maintained numerous foreign charitable contacts. It had also invested substantially over many years in bringing staff and equipment from Madurai to construct appropriate workshops, build looms, and instruct villagers in handloom production techniques. It produced attractive, high quality products that were sold abroad through alternative trade organizations and in various shops around India.

However it also seemed to face some problems that were more intractable. These included: 1) relatively expensive and inefficient production patterns, related in part to its location miles away from the region’s towel production center and in part to inexperienced workers; 2) cyclical marketing patterns for products sold through the alternative trade organizations; and 3)
high levels of competition, and particularly price-based competition, including (as for all
handloom producers) growing competition from the powerloom sector.

**Inefficient Production**

Both RTU staff and a major towel-exporter who had toured RTU’s production units
recognized that RTU’s operating expenses were considerably higher than those of a commercial
handloom towel enterprise for reasons including transport, management and worker salaries, and
wastage. This was confirmed through a comparison of rough per-pound costing data supplied by
RTU and the for-profit exporter.

While weaver-industrialists in Madurai benefited from location on major trade routes,
RTU was distant from any major city, including cities where inputs and outputs of the weaving
industry were bought and sold. This placed a 3-5% premium on RTU’s goods. RTU also
allocated nearly three-times as much as the for-profit to management staff, since it employed a
larger number of supervisors for the number of workers than comparable enterprises in Madurai.
Where RTU employed five supervisors for 75 weavers, a Madurai enterprise would generally
employ one or two. This was in part because RTU was continually in the process of training new
workers as the young women it employed married and left. Trainees also contributed to higher
wastage.

Finally, RTU asserted that it paid higher wages than those paid in Madurai city. As the
director of the unit claimed, “where they pay Rs. 6 in Madurai, we pay Rs. 7”. Costing data also
suggested that RTU allocated marginally more than the for-profit to direct labor expense per
pound. It also offered workers benefits including a provident fund and common good fund for
field trips, which would not have been provided by a for-profit.
**Cyclical Foreign Markets**

Like the major basket producers interviewed, RTU had been able to overcome some of its inherent price-disadvantages by marketing its products abroad through alternative trade organizations, as well as in specialty high-end shops in urban areas of India. It, like the basket producers interviewed, discovered that it earned better returns from export than from domestic sales, but, also like the basket producers, found that the export market was far from stable. When sold through ATOs, RTU’s handloom products were likely to be treated much like handicrafts, in that they were purchased as much for their decorative value as their utility. In order to sell a similar product the next year, RTU had to update the design. Because the market was through specialty “fair trade” shops and catalogs abroad, it could be anticipated that handloom tablemats might be a popular gift item with customers one year but not the next.

As a result, RTU had seen its sales fluctuate. For a number of years, the organization had maintained steady employment in the face of market fluctuations by simply piling up unsold stocks or taking job-work from the big exporters in Madurai at a loss. However, once the organization decided that this was not sustainable, it first laid off 20 workers and then searched for ways to ensure more regular sales. RTU’s solution, like Manapad’s, was finding other domestic outlets. By 1996, RTU had increased domestic sales to 45% of its market, and it was vigorously pursuing other options. Some of the domestic outlets it already used were specialty shops that marketed non-profits’ products and catered to tourists and upper-class Indians; but to expand its domestic markets, RTU believed it needed to bring prices down. RTU also continued to pursue foreign markets and was particularly focusing on natural dyes which appeared to be in great demand.
among some of the alternative foreign organizations that purchased its products. Nonetheless, it did not plan to rely fully on these markets.

**Competition in the Domestic Market**

The instability of international alternative trade markets meant that RTU had to face competition in the domestic market and in more standard marketing channels. This was intense and likely to grow worse because of growing competition from mechanized looms.

Despite government protections since the 1950s which reserved certain products for the handloom sector and limited the growth of mechanized mills, handloom's relative importance in both employment and output has been on the decline in India. Thus, by 1981, only about 20% of India's entire cloth output came from handlooms while the remainder came from large mechanized mills and powerlooms, smaller and cruder mechanized looms that require approximately half the labor of handlooms but twice as much as mill looms (Mazumdar 1989).

Two processes have been at work in this. First, government regulations to protect the handloom sector, while suppressing industrial mills, have done nothing to suppress powerlooms and have, perversely, encouraged their development (Mazumdar 1989). Second, both mill and powerlooms produce cloth far more efficiently than handloom. They require not merely less labor per unit output of cloth, but also less capital (Dandekar 1996; MIDS 1988). The pressure on the sector has become worse since 1990 as a result of government efforts to rationalize policies on textile production. Most of the former policies reserving products for handloom have been suspended and these are now legally open to powerloom competition. Industrialists in the field noted that some kinds of decorative made-ups might be protected from powerloom competition because they involve thick materials and short product runs. However, in the city of
Madurai industrialists and weavers alike predicted that, with few exceptions, handlooms would be entirely replaced by powerlooms in the next five years. RTU was aware of the trends in powerloom competition, but appeared to be planning to stay in the handloom business for the foreseeable future since, as Bro. Kimpton explained, it was “ridiculous” in a country as populous as India to invest in labor-saving, capital-intensive technology.

**Wages**

Even prior to the recent relaxation on handloom protections, competition from the mill and particularly the powerloom sector placed tremendous downward pressure on the wages of handloom workers. These grew at the rate (in constant rupees) of only 2% per year from 1963 to 1981 and still left weavers well below the poverty line (MIDS 1988). As the mechanized sector has been given greater freedom to expand, handloom wages have been further adversely affected.

Weavers interviewed in the city of Madurai consistently reported that they or their family members were leaving the industry because of the poor returns. Many had left the industry a few years earlier when floods devastated the area and simply had not returned to it. Some had taken jobs at tea stalls. Others were delivering goods on bicycle carts. Even those who were still employed in the industry were often looking for other work, even though their families had been weavers for generations. Consistent with this pattern, industrialists complained of labor shortages. One would have expected under conditions of labor shortage for wages to have increased substantially. The handloom towel industry in Madurai is fully unionized, and unions aggressively negotiated wages across the industry with a consortium of owners. Nonetheless, the overall labor shortage conditions were in fact worsening because weavers had been unable to bargain wages up to an attractive level. Both weavers and industrialists attributed this in large part to price
constraints imposed by powerloom competition both domestically and internationally from China and Pakistan.

Handloom weaving, then, is not a well-remunerated activity in India because of competitive pressures. As noted above, management at RTU asserted that it paid wages about 15% above those paid in Madurai. It was difficult to determine whether this was accurate because of product-variations, but this seemed plausible. On a daily-wage (as opposed to piece-rate) basis RTU workers often earned less than those in Madurai, perhaps because they worked fewer hours per day or because they produced less efficiently. At the same time, they seemed to be provided somewhat more regular daily employment, because they were often given other work if looms were not ready or available.

<table>
<thead>
<tr>
<th>Table 4.2 Daily earnings: Women weavers in RTU and Madurai for-profit firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTU Women Weavers</td>
</tr>
<tr>
<td>Range: Rs. 10-Rs. 40 per day. Usually 15-25; 0 if no work (rare)</td>
</tr>
</tbody>
</table>

RTU, like SHARE and Manapad, appeared to offer levels of pay at the upper end of, or at least comparable to, standard wages in the for-profit sector. Yet, because the organization was not profitable, this was a problem for RTU. Thus, management emphasized the need to bring wages down long term to a rate competitive with Madurai. As both the assistant director of the organization and the director of the handloom unit explained, this could only be done slowly, but it had to be done. Further it appeared that because of RTU’s higher transport and staffing costs, it might well need to drop worker wages below the standard Madurai wages in order to be price-
competitive. Yet Madurai wages, even at their current levels, put weavers below the poverty line and seemed unlikely to improve.

In sum, the maximum returns RTU could muster for its products was, as for the basket producers, ultimately constrained by the potential returns from the domestic markets—not simply the “alternative” international market. Even at the time RTU launched its enterprise, most handloom weavers in the state were living below the poverty line, and, over time, returns to handlooms have been further eroded. Although RTU’s handloom unit turned a small profit of 1% in 1996—the first since its inception—the prospects for both turning a profit and providing workers a living wage did not appear good unless it was able to raise its prices far above the Indian norm.

**Why Do NGOs and Cooperatives Select Handloom and Handicraft Production Activities—and should they?**

By pursuing relationships with foreign alternative trade organizations and targeting their products to high-end foreign and domestic niches, the organizations I studied made the best of a bad lot. Once locked into certain types of products, they did a good job of developing them, exploiting their alternative organizational forms for publicity and support, and making use of foreign contacts who could help them to learn about foreign preferences. Nonetheless, the general categories of products they selected ultimately limited financial returns for both workers and organizations. Moreover, the competitive environment for handloom appeared to be worsening. Is there any good reason then for an organization that is not already invested in these activities to select them? Is there a good reason (besides sunk costs and current skills) why Manapad, SHARE, and RTU shouldn’t pursue alternatives?
My interviews and the literature suggest that organizations continue to pursue projects in the handloom and handicraft sectors for reasons that are both practical and ideological. On the practical side, basketry requires little up-front investment to employ significant numbers of people. Production can be started with little more than a teacher, a storage space, and a bushel of palmleaves. Handloom is considerably more capital intensive (Rs. 3,000 or about $85 for a basic, flat-weave loom plus working capital for yarn), but still requires less up-front investment than many other manufacturing sectors. Another major attraction is the extensive network of support for both cooperatives and NGOs active in these fields in India. This includes marketing support through alternative trade organizations and government-sponsored handloom and handicraft fairs and shops, access to government technical assistance centers that can provide guidance on design and technology, and concessional loans and grant programs that subsidize NGO and cooperative activities. Many authors have observed that NGOs are often more likely to follow a government or funder’s lead in selecting an activity than they are to come up with a new and creative approach (Vivian and Maseko 1994; Sanyal and Pradhan, undated). The same is often said of cooperatives (Abell and Mahony 1988). As long as special assistance programs exist for these products more than for others, they are likely to remain attractive to both kinds of organizations, regardless of whether these products make sense from the perspective of total returns to workers and organizations.\footnote{Many of the handicraft support programs are designed primarily to ensure the survival of the craft, rather than to promote rural development. Government officials active in this area recognize that returns to artisans are low. Nonetheless, subsidies and incentive schemes often attract NGOs with income generating agendas.}

A second kind of attraction is ideological. Handloom and village crafts have come to hold a sacrosanct position in the minds of many community activists and government officials in India as a result of Gandhi’s teachings. Gandhi saw village-based industries as an effective means for
promoting a simple, spiritually-healthy village life, rather than as a means for creating wealth beyond subsistence needs. In sharp contrast with most economic theorists, he disapproved of increasing the efficiency of human labor beyond the subsistence level (Dandekar 1996, 238-51). Many Indian activists, including Mr. Murugesan of SHARE, have been profoundly influenced by the idea that real development is something much more than money, and income generation should merely be a corollary to broader social change.

Even for government officials and activists who do not accept the Gandhian philosophy in its entirety and place more emphasis on economic growth and higher incomes, handloom and handicrafts have been seen as a way to address the problem of rural unemployment in the near-term. The Indian government’s position on handloom, and justification for many years of protections and subsidies is summed up by its 1956 Industrial Policy Resolution, which states:

[Small scale and cottage industries] provide immediate large-scale employment; they offer a method of ensuring a more equitable distribution of the national income and the facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilised. (MIDS 1988, 218-219)

This position is broadly accepted among those active in community and economic development, including the founder of RTU.

For organizations that are only peripherally interested in income generation for workers or their own organization, the Gandhian philosophy favoring basic subsistence activities may be attractive. However, for organizations that are concerned with raising income beyond subsistence levels, the argument against labor-saving machinery is ultimately unconvincing. Setting aside policy debates about the advantages and evils of industrialization, in an economy such as India’s where industrialization is occurring, NGOs and cooperatives may simply impoverish the impoverished further if they encourage them to pursue activities that compete with more
mechanized and efficient production. As Marx recognized over a century ago, the value of a handloom producer’s labor is dramatically reduced by the presence of a mechanized loom that creates the same output with $\frac{1}{10}$th the time and labor (Marx 1977).

Yet my research suggested there are some reasons why basket-weaving in particular—or something with similar production characteristics but better markets—might be attractive to NGOs and cooperatives.

**Basket-Weaving: Why Yes?**

Basket production, as coordinated by SHARE and Manapad, seemed to have several characteristics that made it particularly appropriate for an NGO or cooperative. These included:

1. the scale of production of the product was unitary (the individual woman);
2. the scale required to market the products profitably (e.g. to foreign buyers) was large; and
3. capital costs for inputs, including both raw material and equipment were very small, and easily borne by the women themselves.

These factors were important because they affected the ease with which the production activity could be managed. They also shaped the relationship between managers and workers. First, because the scale required to market the products was large, the economic benefits of participating in the project and continuing to produce for the cooperative were clear, even when women had developed the skills to sell to other markets. Craftwomen in Manapad explained that they had sometimes been approached by tradespeople who wanted to buy their products without going through the cooperative, but these people never offered them enough money to make the transaction worthwhile. The prices both Manapad and SHARE could demand for their products
resided in the coordination of their members. They could promise major buyers, including foreign organizations and North Indian stores, large numbers of high quality products meeting specifications and within specified time periods. An individual product in this context meant little to a major buyer if it could not be replicated on a large scale with a quality-guarantee. This was something both SHARE and Manapad could offer that could not be matched by smaller palm producer groups, including the numerous smaller for-profit palm-producer groups.

The economy of scale of production for the products—the individual—was also highly complementary to the large economy of scale for marketing. This was because the production process itself required very little worker coordination. This was most apparent in Manapad, where worker contact with the organization was limited to two days per week, when craftwomen came to sell their baskets to the organization. Women were so familiar with their craft that the organization merely posted on a board the products it was purchasing and the last day it would purchase the particular product. The rest was up to the craftwomen. Because so little supervision was required, Manapad could serve 400 members with a staff of five. SHARE played a more active role in supervising worker production, in large part because it had expanded rapidly to new centers where the craft was unknown. Thus, it had initially staffed each village having 20-30 craftwomen with a craft teacher. However, as time passed, the organization was finding that this level of supervision was excessive and was scaling back to one teacher for every two to three centers. Further, even when it had a teacher at each center, workers always had the option to produce in their homes and thus avoid the teacher altogether.

A particular advantage of individually-based production from the organization’s perspective was that it made it possible to solve the free-rider problem that is typically held out as the bane of cooperative ventures (Ostrom 1990). Workers in these organizations could easily be
paid for the work they did—rather than for the hours they worked. There was no need for anyone, manager or co-worker, to check on whether another craftworker was performing conscientiously. As this suggests, the benefits of this kind of production activity related not only to the interaction between the worker and the organization, but to the interaction between the worker and other workers. Where workers must depend upon each other to jointly produce a product, there is far more potential for strife between the workers—as well as a far greater need for supervision by a hierarchy that has a clear view of the entire production process. Indeed, a substantial body of literature explains the rate of failure among producer cooperatives as the result of internal strife and coordination problems among workers (Mellor 1988). In part because of their choice of product, SHARE and Manapad were able to avoid some of these problems.

A final virtuous element of the basket-production activity involved the relatively low cost of any inputs. Project managers saw this as an advantage because it made a quick start possible even with low funds. Yet more important was that because of the low input costs there was far less need for management to push workers to produce quickly or efficiently. In the case of Manapad, workers bore their own working capital costs. In the case of SHARE, workers paid for their raw materials, but these were deducted from the cost of the final product, for which workers were paid only at the end of the month. Although SHARE did bear working capital costs of purchasing and storing palmleafs until craftswomen used them, the total value of the leaves was not excessive. Certainly, managers were concerned about meeting production deadlines. Yet slower production schedules did not have the same kind of cost-penalty that they would in a production activity where interest on working capital for material inputs was a greater cost factor or the efficient use of machinery was a concern.
The advantages of basketry’s production characteristics can be seen through a comparison between Manapad and SHARE’s production experiences and RTU’s. While basket-weaving required virtually no coordination among workers, handloom production required considerably more. While each weaver at RTU took responsibility for her own production and was paid on a piece rate basis (thus avoiding the free rider problem noted earlier), the entire process of turning yarn into a finished and packed product was more complex and required the efficient coordination of people carrying out a variety of different tasks. Jacquard cards had to be designed and punched, yarn had to be wound onto reels and prepared for the warp and weft, warp and weft had to be set on the looms, and set up again regularly through the production process, completed cloth inspected, trimmed, tasseled, and edges sewn—and all of this on top of the actual weaving process. Because of the overall complexity, even for-profit producers in Madurai explained that they generally had to allow several weeks or more of modifications before a new design was reliably produced.

Further, because of the high cost of the key input to the process—yarn—which generally made up 60-70% of the final production cost, efficient production in handloom was particularly desirable. If RTU or any other handloom producer could not complete its goods promptly and pay off creditors, it would bear increased working-capital costs for each good, and these costs could be significant. As a result, it was important to the organization to have workers available and at the looms when they were prepared, and for workers to weave throughout the day. This contrasted sharply with the basket producing organizations that were not burdened with such heavy input costs and could thus take a more relaxed approach to the production process.

The above factors had implications both for each organization’s capacity to achieve its business goals and for its capacity to achieve other goals. On the business end, basket production,
though not easy to do, was far easier to coordinate than handloom. Thus, a small number of professional staff with a more limited set of skills was sufficient. Insofar as one of the most serious problems facing NGOs and cooperatives is simply finding staff competent in business activities, there are major advantages to a production activity that does not require many people with specialized skills. RTU would not have had to have as many managerial staff if it had not been continually training new workers, yet it would still have needed to hire specialists to help set the looms and punch the jacquards—something that was not necessary for SHARE or Manapad.

The production structure for basketry also seemed to help SHARE and Manapad to achieve some degree of self-management by craftswomen. Management tasks at SHARE and Manapad were straightforward enough that even women with limited educational backgrounds could grasp them and ultimately play an active management role. Further, because only a few people needed to be involved in direct supervision activities (i.e., quality control), it was relatively easy for other staff to maintain warm relations with producers and engage in a variety of supplementary educational activities with workers.

It was not clear whether a higher level of worker-management would have been feasible in RTU, and there were clearly a number of factors contributing to its top-down management structure. Nonetheless, the nature of its production activity was one factor. Overall, coordination and management functions in the organization were clearly more demanding for towel production than for basketry.
Conclusion

The experiences of Manapad, SHARE, and RTU suggest that both handloom towel and palmcrafts have serious deficiencies as products. An organization that hopes to generate income, whether for members or for itself, needs to produce a product that earns decent returns. SHARE and Manapad obtained some of the best returns possible from palmcraft but were still constrained by lack of demand for their products and domestic and international competitive pressures. RTU, which had sought to provide decent employment in a location far from the major handloom production center, found both wages and profits squeezed by the powerloom competition that was shaking the entire industry. These experiences suggest that income generation projects need to think carefully about selecting a kind of product over which they might have some price control. While opportunities for such projects may be limited, the do occur. For example, one project I visited in South India had achieved high returns because its product was massage balls for the Body Shop, and the Body Shop was willing to pay well for a unique product. While few organizations will have access to such market opportunities, all need to think about the competitive environment for their proposed products before they leap into a new production activity with dreams of content workers and large organizational returns.

An examination of the production experiences of the three organizations also suggests some characteristics producer organizations might wish to look for when selecting a product. Palmleaf manufacture seemed to present fewer obstacles for a cooperative or NGO project than towel production because it had the following characteristics: large economies of scale for marketing, unitary (individual-based) economies of scale for production, and low capital costs. These characteristics made the palmleaf projects relatively easy to manage and reduced the potential for conflict between workers and managers and workers and other workers.
One of the serious concerns that arises from this study is that there may be a conflict between selecting products for high returns—which may require more sophisticated coordination and use of technology to produce high-returns products—and selecting products for ease of management. This, however, will require further research to establish.
Chapter V

Income Generation for Whom?

This chapter addresses two questions:

- Do workers benefit more financially from participating in a non-profit or cooperative income generation program than they would from participating in a similar for-profit organization?

- What factors shape returns to workers in an NGO or cooperative environment?

The short answers to these questions were offered in the previous chapter. Salaries for workers in SHARE, Manapad, and RTU were higher than salaries offered by for-profit producers making similar products. However, the differences were not great, and returns to workers were still low—averaging Rs. 15 to 20 per day or about $0.60 when women worked full-time.\(^{19}\)

Furthermore, RTU’s management was interested in bringing down its wages to be more in-line with those of its for-profit competitors.

The previous chapter also suggested that the most important force determining worker wages was simply the competitive market environments faced by producers. This chapter adds to that discussion by looking at some additional factors that shape returns to workers. For this purpose, I focus on the two organizations that were more financially successful and thus had greater discretion in setting wages and spending on other activities.

---

\(^{19}\) Poverty-line data suggests that this might be enough for a craftswoman to feed herself and one other person, without any additional funds for housing, clothing and emergencies. For most women, this income simply supplemented other sources of family income.
Financial statements for Manapad and SHARE are included below. This material is designed to help the reader understand how these organizations divided their earnings among the following categories:

1) Management salaries and overheads
2) Workers
3) Community Programs
4) Infrastructure and other investments
5) Working capital
6) Raw Materials and transport

My assumption is that the organizations studied faced certain tradeoffs in allocating funds among these different categories. While there is presumably some bare minimum required in each category to maintain efficient production, a successful organization will have some flexibility in distributing excess funds among these categories. Financial statements offer an indirect method for assessing how the organizations spend this excess in a legal environment in which profit per se means little.²⁰ I focus on the first four categories above since these are the areas in which the organizations studied seemed to have greatest flexibility. They could and did vary their expenditure in these areas from year to year.

Modified and condensed versions of SHARE and Manapad’s income and expenditure sheets are included below. Expenditures on workers and raw materials, originally lumped together in both organizations’ accounts, have been separated based on the estimate that ¼ of the amount of funds paid to women goes to their purchase of raw material.²¹ I have also presented the data as percentages for ease of viewing. These percentages are based on total figures for

---

²⁰ For accounting reasons, the profit category (another way to address the issue of surplus) is relatively meaningless in NGO and cooperative accounts. NGOs cannot legally show much profit, while cooperatives may pay workers either through profit distributions or through wages. Thus, looking at expense accounts in toto, although not ideal, seems the only viable alternative for getting at this question.
annual income and expense of 4.19 million rupees, or about US$ 120,000, for SHARE (1995-96) and 1.16 million Rs., or about US$ 46,000 for Manapad Cooperative (1994-95). Finally, to facilitate the comparison between SHARE and Manapad accounts, I have included profit and loss statements for both organizations. While these contain most of the same information found in the income and expense sheets, they highlight the way money is acquired and spent in indirect costs and administration, rather than in direct production.

Although income and expense sheets offer a snapshot of a single year, they should be understood in the context of overall growth trends. SHARE has experienced tremendous growth over the last five years, since it changed its status from cooperative to NGO. The organization went from sales of over 1.4 million rupees in the 1993-94 fiscal year to sales of 3.4 million rupees in the 1995-96 fiscal year. As for any other business, such conditions of growth have opened new financial opportunities and created new demands on funds, including working capital, physical infrastructure, and staff. Manapad’s sales and structure, in contrast, have been more stable. Although the organization’s sales have fluctuated from year to year, and the ratio of export to domestic sales has varied, the number of employees, use of funds, and the general pattern of expenses have remained relatively constant.

---

21 This estimate is based on interview data and is imprecise. In practice, the amount paid for raw materials varies from product to product, but generally varies between 20 and 30% of the cost of the product.
Table 5.1 SHARE - Income-Expense Statement, 1995-96

<table>
<thead>
<tr>
<th>Income</th>
<th>Percentage</th>
<th>Expenses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales(^{22})</td>
<td>92.5%</td>
<td>Raw material purchase(^{24})</td>
<td>17.5%</td>
</tr>
<tr>
<td>Packing fees</td>
<td>5.3%</td>
<td>Local Transport and Packing</td>
<td>4.3%</td>
</tr>
<tr>
<td>Grants</td>
<td>1.7%</td>
<td>Artisan earnings(^{25})</td>
<td>60.9%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>.2%</td>
<td>Administrative overhead,</td>
<td>6.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>infrastructure(^{26})</td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>.3%</td>
<td>Training Programs for Workers/Staff</td>
<td>2.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-production projects &amp;</td>
<td>5.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>programs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fund Balance (profit)</td>
<td>2.8%</td>
</tr>
<tr>
<td>Total (Rs. 4.19 mil.)</td>
<td>100.0%</td>
<td>Total (Rs. 4.19 million)</td>
<td>100.2%</td>
</tr>
</tbody>
</table>

\(^{22}\)Modified from SHARE’s original. Entries have been grouped under fewer categories, and expenses for worker salaries and raw materials have been broken-down from the category handicrafts purchased from workers.

\(^{23}\)Incorporates "sale" to closing stock category (i.e., materials not yet sold) of Rs. 319,000 or 9% of total sales.

\(^{24}\)Allocations between raw materials and artisan earnings estimated (raw materials at ¼ total handicraft purchased). Incorporates “purchase” of opening stock (i.e., what was in inventory) of Rs. 171,000 or 6% of this amount.

\(^{25}\)Includes monthly artisan earnings at 52% of total expenditures and annual bonus at another 9% of expenditures. Estimated cost of raw material deducted.

\(^{26}\)Includes 1.1% for staff salaries, 2.3% for other overheads, and 3.4% for infrastructure depreciation.

\(^{27}\)Total does not add to 100.0 due to rounding.
Table 5.2 Manapad- Income-Expense Statement, 1994-95

<table>
<thead>
<tr>
<th>Income</th>
<th>Percentage</th>
<th>Expenses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales(^{29})</td>
<td>86.0%</td>
<td>Raw material purchase(^{30})</td>
<td>17.6%</td>
</tr>
<tr>
<td>Packing fees(^{31})</td>
<td>3.6%</td>
<td>Local Transport and Packing</td>
<td>2.0%</td>
</tr>
<tr>
<td>Net Interest</td>
<td>.2%</td>
<td>Artisan earnings(^{32})</td>
<td>52.8%</td>
</tr>
<tr>
<td>Miscellaneous(^{33})</td>
<td>10.2%</td>
<td>Interest paid (coop members)(^{34})</td>
<td>1.6%</td>
</tr>
<tr>
<td>Reserve released</td>
<td>0.0%</td>
<td>Administrative overhead, infrastructure(^{35})</td>
<td>13.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reserve created</td>
<td>0.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fund Balance (profit)</td>
<td>11.7%</td>
</tr>
<tr>
<td>Total (Rs. 1.16 mil.)</td>
<td>100.0%</td>
<td>Total (Rs. 1.16 million)</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

\(^{28}\) Format modified from original. Expenses for worker salaries and raw materials have been broken-down from the category handicrafts purchased from workers.  
\(^{29}\) Incorporates "sale" to closing stock category (i.e., materials not yet sold) of Rs. 71,602 or about 7% of total sales.  
\(^{30}\) Allocations between raw materials and artisan earnings estimated (raw materials at ¼ total handicraft purchased). Incorporates "purchase" of opening stock (i.e., what was in inventory) of Rs. 66,384 or about 8% of this amount.  
\(^{31}\) For Manapad, also incorporates other "trade charges".  
\(^{32}\) Includes annual bonus. Estimated cost of raw material deducted at rate of ¼ value handicrafts purchased.  
\(^{33}\) Includes primarily returns on investments of the organization’s various reserve funds.  
\(^{34}\) Paid out at the annual rate of 15% of investment.  
\(^{35}\) Includes staff salaries, overhead, infrastructure, and worker training programs (since not disaggregated in accounts).
Table 5.3: SHARE and Manapad Profit and Loss Statement

<table>
<thead>
<tr>
<th>SHARE</th>
<th>Profit</th>
<th>Rs.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin $^{36}$</td>
<td>635,831</td>
<td>87%</td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>71,537</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Misc.</td>
<td>7,347</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Bank Interest</td>
<td>14,518</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>729,233</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loss</th>
<th>Rs.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration $^{38}$</td>
<td>384,717</td>
<td>53%</td>
</tr>
<tr>
<td>Other programs $^{40}$</td>
<td>227,774</td>
<td>31%</td>
</tr>
<tr>
<td>Profit</td>
<td>116,809</td>
<td>16%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>729,300</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manapad Cooperative</th>
<th>Profit</th>
<th>Rs.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>199,382</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>Misc., incl. grants $^{37}$</td>
<td>117,731</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>Bank Interest</td>
<td>1,917</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Reserve release</td>
<td>315</td>
<td>&lt;1%</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>319,345</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loss</th>
<th>Rs.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration $^{39}$</td>
<td>157,140</td>
<td>46%</td>
</tr>
<tr>
<td>Interest paid $^{41}$</td>
<td>18,325</td>
<td>6%</td>
</tr>
<tr>
<td>Reserve created</td>
<td>8,147</td>
<td>3%</td>
</tr>
<tr>
<td>Profit</td>
<td>135,730</td>
<td>43%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>319,342</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Sources of Organizational Income**

The two organizations show significant differences in their sources of income. As can be seen in Table 5.3, SHARE's administrative expenses are covered entirely by the organization's gross sales margin, which makes up 87% of total profit, defined here as total income less direct production expenses. In contrast, for Manapad, gross margin accounts for only 62% of total profit, and miscellaneous sources of income make up nearly 37%. Most of the organization's non-sales income comes from interest on invested reserves developed over more than 25 years.

$^{36}$ Difference between income from product sales and cost of product purchase from artisans, adjusted to incorporate packing and other direct production income and expenses.

$^{37}$ Returns on investments and grants are not broken out in Manapad accounts, but preponderance is investment income.

$^{38}$ Includes staff salaries, administrative overheads, worker training programs.

$^{39}$ Includes staff salaries, administrative overheads, worker training programs.

$^{40}$ Includes programs not directly related to production (e.g., education programs)

$^{41}$ Payments to coop members.
This income effectively subsidizes the organization’s production activities and allows it to offer higher wages to workers than it might be able to based solely on sales returns.

**Craftswomen Salaries**

SHARE and Manapad allocate the same 70% of their income to workers and raw materials. Interviews also indicate that piece-rate earnings of workers in the two organizations are of the same order of magnitude, Rs. 15-20 per day on average for full-time work, depending on the product and the woman’s skill in producing rapidly and limiting wastage.

**Administrative Expenses**

Interviews, annual reports, and visits to the two organizations’ headquarters suggest that SHARE puts a greater percentage of resources into administrative overheads than Manapad. In 1995, when SHARE was about double the size of Manapad in both sales (2 million to one million) and membership (760 to 400), SHARE employed more than three times as many staff members (17 to 5). SHARE also increased its staff at the beginning of the 1996-97 fiscal year to 35, although this meant a considerable increase in member to staff ratio (from 44 craftswomen members for each staff member to 22 craftswomen members for each staff member) and sales to staff ratio (from about Rs. 130,000 in sales per staff member to about Rs. 100,000 in sales per staff member or less.

In light of this, SHARE’s allocation of expenses to administrative staff and overhead in 1995-96 was surprisingly low. Accounts for 1995-96 show only 1% of total earnings going to staff salaries and 6% to administration if other overheads, such as buildings, are included.
Manapad puts staff salaries and overhead at a combined total of 14% of income (16% of the value of sales) or about twice the percentage allocated by SHARE.

This is the result of three situations. First, although SHARE employs far more staff than Manapad, it pays individuals less. SHARE’s craftswomen teachers (the majority of the staff population) make very modest salaries, comparable to that earned by some craftswomen who are not on salary. Second, some of SHARE’s administrative and staff expenses are concealed as non-production program expenses and training expenses, since these are separate line items for SHARE, but not for Manapad. As can be seen in the organizations’ profit/loss statement, SHARE appears to spend more on administrative overhead than Manapad when training expenses are folded into both SHARE and Manapad’s administrative overheads, and when these overheads are examined not in relation to sales, but rather in relation to each organization’s “disposable” income or profit. Finally, low administrative overhead figures in 1995-96 may be a reflection of SHARE’s uneven growth, i.e., the speed with which activities have grown compared to when new staff have been added. In both 1993-94 and 1994-95, staff salaries alone were 5-6% of total expenses, compared with just 1% in 1995-96, and SHARE almost doubled its staff at the beginning of the 1996-97 fiscal year. Thus, staff hires in 1995-96 may simply not have caught up with the organization’s growth trajectory. It seems likely that staff salaries in 1996-97 will be a far more significant part of the organization’s budget.

**Non-production programs**

One of the most important differences between the two organization is that SHARE apportions a significant percentage of earnings to non-production programs. Out of total annual expenses (Table 5.1), it apportioned 6% to non-production programs in 1996, up from 5% in
1994-95 and just 1% in 1993-94. Non-production projects and programs made up over 30% of SHARE’s profits, defined as gross margin plus non-sales income (Table 5.3). Although a portion of these project expenses were covered by grants, these grants in total were only sufficient to cover 1/3 of non-production program expenses. Moreover, a considerable percentage of these grants went to craft training programs, rather than to non-production projects. SHARE thus covered the preponderance of non-production project expenses itself in 1995-96.

In contrast, Manapad did not spend any of its substantial profits on other programs for wider community benefit. The only benefits it offered beyond soliciting orders and marketing products were modest loans, funding for books for members’ school-age children, and metal cooking vessel awards—all offered only bonus awards for members who met a production threshold. While Manapad has been able to accept small grants from Oxfam for incentives for members (the schoolbooks and cooking vessels) and from GTZ for member visits to other palm producers, it has neither solicited nor accepted grants for programs not directly associated with members or for programs that were not in some way tied to production goals.

Discussion

Two points about SHARE and Manapad’s income and expenditures are particularly interesting:

1. Both SHARE and Manapad had some surplus earnings, which they used in different ways. While Manapad built up enormous cash reserves, SHARE spent more heavily on both non-production programs and fixed assets. SHARE had considerable flexibility in how to spend its income. Manapad’s choices were clearly more constrained. Under cooperative legislation, it was required to pay dividends to owner-members at a fixed annual rate of 15%, to maintain a substantial reserve fund, and to limit its expenses to people and projects directly related to palm production. Nonetheless, it too clearly had some choice. The annual bonuses offered to workers could vary from year to year, thus directly affecting the amount of returns to workers. Likewise investments in physical assets and payment for administrative overheads
was discretionary, at least to the extent that the organization could convince the government special officer that expenses were justified.

2. Even though both organizations demonstrated some flexibility in how they spent funds, they offered remarkably similar returns to workers, both as a percentage of their overall earnings and with respect to actual wages. Though a substantial portion of surplus was devoted to worker earnings, this was clearly not all of it. For example, had Manapad elected to spend all of its profits on worker bonuses, worker earnings in 1994-95 would have increased by 25%. Had SHARE elected to spend all funds from its non-production activities and profits on workers, worker earnings in 1995-96 would have increased by over 10%—and had it distributed earnings to workers rather than building new infrastructure and running non-production programs in 1994-95, it too could have raised worker earnings that year by about 25%. There were, of course, valid reasons for the two organizations to spend their funds in other ways, but they did have some choice.

In the previous chapter I suggested that modest returns to labor were primarily based on product selection. Yet the above information confirms that this was not the sole limitation on returns to workers. Here I look at two additional explanations: 1) the desires of organizational leaders to spend money on other activities; and 2) prevailing social and cultural expectations about appropriate wages.

**Desire to Spend on Other Activities and Needs**

NGOs are particularly likely to seek legitimacy in the benefits they offer the wider community, rather than in benefits to their workers. Indeed, the term “income generation program” is quite ambiguous: is the project designed to be income generating for the NGO or income generating for the workers involved? An effective NGO will have to balance the competing demands between worker returns and other organizational projects.

This tension was particularly evident in SHARE, which defined its objectives as improving women’s status in society, not just providing income. As the organization became more profitable in the early 1990s, a larger and larger proportion of income began to be used for both
infrastructure and non-production programs, while the percentage workers earned of total sales shrunk. Thus, in 1993-94, 88% of sales earnings were used to pay craftswomen; by 1995-96, this was down to 81%. Workers’ target wage rates—the amount they are supposed to be able to earn on a piece-rate basis—grew during this period, from Rs. 20 per day in 1993 to Rs. 25 per day in 1996, but the organization’s sales prices and profits grew more quickly. Workers wages, moreover, grew more slowly than rate of inflation, which was averaging about 15% per year (IMF 1996).

Whether one considers the money spent on things other than worker salaries to be good or bad depends on the value one assigns these other things. Here I focus on non-production programs and infrastructure expenses, both of which were significant for SHARE. Ideally one would like to be able to identify excessive administrative expenses that might not appear in this guise. However, in the particular cases I reviewed there was little evidence that administrators were exacting large salaries. Instead, administration expenses seemed to largely reflect investment in special programs and infrastructure.

The extra programs run by SHARE in the 1995-1996 fiscal year included: a three-day “Panchayat Awareness Program” for 30 women; village awareness programs on subjects such as AIDS and equality between men and women; a large World Women’s Day celebration with many speakers; a Rs. 500 per village scholarship award scheme for girls; after-school coaching centers for 150 children in 5 villages; grants to the handicapped and to sponsor an orphan; housing loans (in women’s names); a family welfare camp; and a model daycare center. Many of these programs

---

41 This program was designed to increase villagers’ awareness of new laws requiring that women have 1/3 representation on local government councils (panchayats) and giving these councils new powers.
were at least partially sponsored by outside funders such as GTZ or the state or central government, but SHARE contributed about two-thirds of the resources.

These projects were among the activities of which leaders were most proud. The projects reinforced their sense of mission, to benefit women and the community, and raised their personal stature in the community. The election of nine to the local government after my visit was no doubt in part a product of the community visibility that arose from such programs. For the majority of workers interviewed, work and salary was far more significant than these kinds of supplementary educational activities. Nonetheless, none I spoke to objected to the programs, and a number expressed pride or real interest in them.

There were a surprising number of parallels between SHARE’s decisions to invest in buildings and its decisions to invest in non-production programs. Major investment in new buildings was a strain on organizational finances and had clearly put the organization in a cash-flow crunch. SHARE’s leaders nonetheless felt that it was critical that the organization have a visible home, and the organization actually fought state government special officers on this point for several years before it changed its status to NGO and could independently decide to build an administrative center. Although there was some real need for the buildings, this need was in part symbolic. The buildings were visible signs of the organization’s stature in the community. Just as for the non-production programs, the buildings were particularly near to the hearts of the organizations craftswomen leaders in part, we may imagine, because their status was increased through these buildings. Yet, as for the non-production programs, the buildings were also appreciated by craftswomen most of whom had donated a day’s worth of earnings and their labor to the project.
It would be difficult to term either extra-production programs or infrastructure investment decisions at SHARE exploitive in any way. Workers benefited from these programs both directly, through participation, and indirectly, since their own stature in the community was enhanced by the organization’s visibility. Yet it was nonetheless striking how strong the incentives were within the organization to spend money on things other than worker salaries and benefits. While worker interests and the interests of leaders and staff seemed fairly close within this organization, it was easy to imagine how these interests might diverge in a less cohesive group. Attending conferences for NGOs in South India, I was often struck by how many professional organizers seemed more interested in the way income generation projects might benefit them than in how they might benefit workers. While SHARE’s craftswomen leaders had more altruistic motivations, it was significant that including them in decisions about returns to workers did not necessarily result in higher worker returns.

Social and Cultural Expectations about Wages

The data suggests that wages paid to workers in SHARE, Manapad, RTU, and similar organizations may be influenced by a range of social, cultural and political factors, as well as real economic constraints. When asked about worker wages, staff and executive members of SHARE and Manapad argued strenuously that wages were fair: not very high, but also not very low. When asked about how these wages were established, they generally cited comparisons to agricultural wages for women, including the legally established Rs. 22 per day minimum wage for women workers. Interviewees at RTU offered similar explanations for their wage rates and argued that the wages they paid were in fact too generous. Some workers complained that they needed higher pay, but consistent with the claims of organizers, most workers interviewed at the
three organizations were generally satisfied with their wages. Further, interviews confirmed that this work was available when agricultural work was not.

Despite these statements, there are some grounds for questioning the fairness of these wages. Wages were always compared with the standard agricultural wages for women rather than the standard wages for men. Men in Tamilnadu consistently earn about twice as much as women for agricultural labor, construction, and most other jobs. Thus, the wages paid would have been considered unacceptable if men had been employed. Under present competitive conditions in these production activities, doubling worker wages might not have been feasible. However, had organizers operated under the assumption that women’s earnings should be similar to men’s, they might not have pursued these crafts, might have attempted to price the crafts higher, or might have been less ready to divert earnings to other projects.

Yet even in an organization like SHARE that was distinctly feminist in orientation, wages were only good in the context of women’s work. As SHARE’s professional project coordinator confided, he understood that the earnings SHARE provided were little more than supplementary for families, but the executive leaders, promoted from within the organization, still did not see it that way. Notably, although wage discrimination in Tamilnadu is blatant, women rarely question it. For example, in Reaching the Unreached’s ferrocement production unit, women earn between Rs. 18 and Rs. 22 per day, while men earn Rs. 40 to Rs. 60 per day. Although women and men run slightly different machines, both are involved in forming ferrocement bricks and tiles and carrying heavy loads. When I asked women about the difference in pay, they insisted that it was fair because “men’s work is harder.” It seems to be extremely difficult for those operating within the society to question wage differentials, because attitudes about the relative value of women and men are so persistent within the society.
This underlined the role of local social and political factors in setting wages, quite apart from real economic constraints. Others’ research has also pointed to the difficulty of paying unusually high wages in rural settings. For example, research on government employment programs suggests that there is often serious local political opposition to paying wages above standard agricultural wages because interested landowners fear (often with reason) that this will drive up wages for agricultural labor (Dandekar 1996). Other research has suggested that where income generation programs pay exceptionally high wages, they are likely to be taken over by those with more local privilege and will have difficulty targeting those most in need (Mayoux 1991). These findings, combined with my own, suggest that the social and political obstacles to raising wages beyond a certain level are likely to be formidable.

Conclusion

Any NGO or cooperative producer is faced with a complex web of tradeoffs: between the interests of workers, the interests of leaders, and the broader goals of the organization, between long-term investments in buildings or savings and short-term investments in salaries and programs. NGOs seem likely to face a particularly complex set of tradeoffs, since they have fewer guidelines than for-profits or government on which of these goals they should place first.

Within this array of tradeoffs, the issue of returns to workers is particularly sensitive. If the wages a producer NGO pays are too low, while administrators reap large salaries and/or the organization devotes substantial funds to programs that do not directly benefit workers, they are correctly viewed as exploiting their workers and no better than any other kind of business. Yet if they set wages too high, they may cause their business to be financially unsustainable, may attract
a workforce they do not wish to target, and may face political and social resistance from the communities in which they are located.

The solution the organizations studied arrived at was to pay a wage level that was approximately consistent with the local agricultural wage rates for women and that was only slightly higher than prevailing wages among for-profit organizations in the sector. My research raised a number of questions about the relative importance of economic and socio-political forces in setting these wages. Clearly both were important, but it is difficult to know how powerful socio-cultural and political constraints were in an environment in which economic constraints and socio-political constraints coincided. What happens in an organization that is able to reap very high returns from its products? How high are worker salaries under these conditions? This was not a question my cases could answer.

The experiences of the organizations studied nonetheless suggested that wage levels per se are not the way producer NGOs or cooperatives differentiate themselves from for-profit producers, nor is it a way they are likely to differentiate themselves. There are simply too many pressures--economic, political, and cultural--that push organizations to adopt, at best, the prevailing wage rate in a given industry. Including worker-leaders in management processes, furthermore, does not necessarily lead to higher worker returns.

This may mean that pressures for higher wages, if they come at all, must come from the outside, from professional social workers and alternative trade organizations. It may also mean that we need to look to IGPs for something other than higher wages. In some cases, the non-financial benefits they offer, such as health care and day-care may be worth more to workers than wages. Further, as I suggest in Chapter 3, the human capital development opportunities such organizations offer to some may be worth more than a high salary and may ultimately help to
create conditions in which village women and their communities place a higher value on women’s labor.
Chapter VI

Conclusion

I began research on income generation projects in South India with the question: what makes some income generation projects *economically* successful? Answering this question led me to three very different projects: Manapad, a government cooperative that produced palm baskets; Reaching the Unreached (RTU), a non-governmental organization (NGO) that produced decorative handloom housewares; and SHARE, an NGO that produced palm baskets that had also formerly been a government cooperative and was in some respects a hybrid of cooperative and NGO forms. By the end of my visits to these groups, I had decided that my original question missed both the greatest strengths and the greatest weaknesses of the non-profit and cooperative producer sector.

Instead, I found myself interested in explaining the differences and similarities in these organizations between impacts in *three* different arenas:

1. Overall financial viability of the business, including profitability, growth, and total returns to the organization (which serves as a proxy for profit in a legal environment where profit is not always visible on the books). Financial viability indicated the organization's capacity to provide consistent work and other community services;

2. Financial returns and other services that specifically benefited workers; and

3. The development of workers’ human capital.

Overall performance of the three organizations in each of these categories is summarized in Table 6.1.
The first two categories were part of my original research plan. Clearly, an income generation program would be of little benefit to a community if the organization could not sustain a successful business. Likewise, income generation projects would not be living up to their names if they did not offer real financial benefits to workers. Yet I ultimately decided that focusing solely on financial benefits missed much of what could make these organizations valuable.

More impressive than financial impacts was the capacity of some of these organizations to develop the human capital of a selected group of workers. By human capital, I mean a complex mixture of production skills, management skills and self-confidence that affected the ways women looked at themselves and the ways they were perceived by their families and communities. The most striking impact was among craftwomen leaders at SHARE, including executives and craft teachers. In this organization, a group of women from poor, generally lower-caste backgrounds had been given the opportunity and skills to manage staff, inventory and overall direction of an organization with hundreds of workers, to travel throughout India and speak publicly on behalf of their organization, and to become prominent members of their community, as demonstrated by the election of nine of these leaders to local government office. For these women, participating in the development organization was life-transforming. Human capital impacts among other workers in this organization, and among workers and craftwomen leaders in Manapad were also evident.

---

**Table 6.1: Measures of Organizational Performance**

<table>
<thead>
<tr>
<th>Organization</th>
<th>Overall Economic Performance</th>
<th>Financial Returns to Workers</th>
<th>Human Capital Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTU</td>
<td>Low/Moderate</td>
<td>Low/Moderate</td>
<td>Low</td>
</tr>
<tr>
<td>Manapad</td>
<td>Moderate</td>
<td>Low/Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>SHARE</td>
<td>Moderate</td>
<td>Low/Moderate</td>
<td>High</td>
</tr>
</tbody>
</table>

---

43 Reflects overall profitability/financial capacity to offer adequate returns to workers and engage in other kinds of non-production programs.
though not as dramatic. These impacts included development of new production and management skills, and, related to this, increased pride in themselves and their organization, as well as higher status in their families and communities. Variations in human capital development were striking, given that pay levels in all three organizations were quite similar. These variations underlined that money was only a small part of what these organizations could potentially offer. This is consistent with the findings of other researchers who have examined the impacts of selected income generation programs on women workers (World Bank 1991). This observation is also consistent with research on some cooperatives that has found that they may provide a variety of benefits to workers and community, even when they are unsuccessful businesses (Wells 1991; Rothchild and Whitt 1986).

I ultimately identified four factors that helped to explain why the organizations studied might have similar or different levels of success in overall financial performance, financial returns to workers, and human capital development of workers. These included:

1. Worker participation in management hierarchies;
2. Selection of products;
3. Selection of wage-levels and use of profits;
4. Government regulation and government and funder support programs.

Findings in each of these categories are reviewed below.

Worker Participation in Management Hierarchies

Finding #1.1: Including workers in management hierarchies can offer benefits for alternative producer organizations, including both higher levels of human capital development among workers and better economic performance.

Both SHARE and Manapad demonstrated the benefits of including worker-representatives in NGO and cooperative management structures. Manapad, the government cooperative studied,
had been a financially viable and highly regarded organization under the direction of an executive board of craftwomen leaders selected from the community. SHARE, the cooperative-turned-NGO, used craftwomen in management to an even greater degree. Its active executive board of craftwomen had responsibility over organizational direction and structure, inventory control, quality control, and domestic sales. Numerous craft teachers drawn from the community were also actively involved in management processes.

Including workers in management decisions had tremendous implications for the human capital development of those who became leaders, and, to some extent, for other members. For SHARE, these human capital benefits were most clearly demonstrated in the election of leaders to local government offices, while other members also reported that their status at home and in the community had been improved by their participation in the organization. For Manapad, where workers had some organizational control but less than in SHARE, leaders and members also demonstrated considerable pride in their organization and in workers’ roles in managing it successfully. Consistent with the findings of many other researchers, I found that human capital development in these organizations could in part be seen in the heightened self-respect of members. Theodore Zeldin (1994) has suggested that in many cases people may crave respect more than money. If this is the case, then one of the things that made SHARE and Manapad Cooperative special was that they demonstrated respect for the capacities of village women in the most concrete of ways: by including some of them in management decisions. This, in turn, affected how women saw themselves.

Yet human capital development was not the sole benefit of this system. In addition, both SHARE and Manapad performed well financially for reasons that leaders and staff attributed, in part, to the involvement of craftworker representatives in management. For example, a
craftwoman leader at Manapad had pioneered the organization's system of listing basket orders on a chalkboard so that any member of the organization who wished could contribute to the order. This was uniformly recognized as a significant improvement over the former system of assigning work to individuals. At SHARE, craftwomen leaders were credited with recognizing that raw materials were being used inefficiently and persuading other craftwomen to go along with a new policy that required each woman to purchase her own raw materials.

SHARE had actually become more profitable as the role of craftwomen leaders in management was enhanced. Furthermore, both SHARE and Manapad were more profitable than RTU, which did not include worker representatives in management decisions. Management at RTU believed that lack of worker involvement and commitment in the organization partially explained the organization's low profits, since workers did not feel personally responsible for the organization's performance. This impression was consistent the findings of a stream of popular business literature that argues that including workers in decisions improves organizational performance (Troxel 1993).

**Finding #1.2: Benefits of worker participation are enhanced and problems with this system reduced when select groups of worker representatives are systematically incorporated into management hierarchies with the assistance of professional staff.**

None of the projects studied were run as direct democracies. This is consistent with the expectation of authors who write on worker participation for the business press. These authors anticipate that worker participation will occur within hierarchical environments (Troxel 1993). This is also consistent with research that indicates that the transaction costs involved in including too many people in decision-making are too large for organizations to bear once they grow beyond a certain size (Cornforth 1988; Rothchild and Whitt 1996).
In both SHARE and Manapad Cooperative, worker representatives were instead included in management hierarchies where they played the dual roles of managers and worker representatives. Economic literature has commonly contended that such systems are likely to lead to poor management decisions, *e.g.*, because worker-representatives will advocate for unsustainable levels of expenditure and insufficient reinvestment (Vanek, cited Cornforth 1988).

In the organizations studied, this was not the result. Worker representatives who became involved in management were deeply concerned with issues of financial viability, and were if anything more fiscally conservative than professional social workers. At the same time, in these organizations worker representatives seemed able to maintain workers’ trust that way were performing in the interests of workers.

This happy result was facilitated by two key features. First, dedicated professional staff members collaborated closely with worker representatives. These professionals helped shape organizational visions, trained craftwomen in management tasks, handled many technical tasks themselves, facilitated outside contacts, and seemed to serve as organizational glue on issues where there might be divisions within the craftworker community and/or among craftworker leaders. Second, craftworker participation in management was developed slowly and carefully over time by professional staff. Particularly in the case of SHARE where worker-management was most apparent, the transfer of authority from professionals to worker representatives had taken place over nearly ten years and had been carefully sequenced.

My cases suggested that there was a continuum of responsibilities in which workers might be included. At one end of the spectrum were tasks in which workers could easily be included. At the other end were more challenging tasks in which worker participation might be problematic for reasons involving internal political dynamics and technical complexity. These were, however,
also the tasks that yielded greatest benefits with respect to the human capital development of worker-leaders. To obtain the benefits of worker participation, the delegation of responsibilities to worker-representatives and staff members promoted from the community needed to progress from tasks that required less technical know-how and less organizational risk to tasks that were both more technically difficult and more organizationally challenging.

Easier tasks included:

1) **Responsibility for decisions that are not core to the organization’s survival, e.g.,** deciding what needy community causes should receive donations or how worker common-good funds should be spent. As long as these decisions were transparent, they could increase craftswomen leaders’ group decision-making skills and enhance their community stature without putting the organization at risk.

2) **Inclusion in decisions about the broad outlines of the organization’s internal structure and procedures** and its interaction with workers and the local community, such as appropriate pay scales and *procedures* for quality assurance and quality control. This did not include actually doing the quality control or making work assignments, but rather determining the organizational procedures for accomplishing these tasks. While challenging, such decisions were highly visible and could be easily understood even by workers with limited educational backgrounds. This is part of the standard work of a cooperative executive board.

More difficult tasks included:

3) **Decisions about the overall direction of the organization and its relations with the outside world.** Worker-input in these decisions was valuable, but worker-representatives were more likely to be useful as a sounding board for founders/professional staff who had a broader exposure to markets, contacts, and new ideas circulating outside the community.

4) **Inclusion in “maintenance management” tasks, i.e.,** in the actual activities of assigning responsibilities, checking quality, and maintaining inventory. Such tasks offered the best potential for human capital development of selected workers from the community. However, relationships between regular workers and those with personnel management responsibilities such as quality-checking could be sensitive and difficult to implement.
Reaching the Unreached only included workers in the first of these decision-making categories. Manapad included workers in the first, second, and the third categories\footnote{In Manapad, participation in the third category meant relatively little, since government regulations constrained the organization's choices in this area.}. SHARE was the only organization that had included workers in the fourth category, thus bearing the risks of this structure and reaping the human capital rewards among its staff. SHARE seemed able to successfully implement personnel supervision by craftwomen executives, but it was only able to do this by arrogating certain decisions (e.g. quality control) to the organization’s high level executives who had substantial personal authority and autonomy within the organization. It found that such decisions could not be left in the hands of lower-level staff such as craft teachers who were under greater pressure to maintain friendly mentoring relationships with village craftworkers. This emphasized how difficult it may be to have worker representatives responsible for tasks that involve personnel management, particularly in smaller organizations with less capacity to divide supervisory and mentoring roles. At the same time, SHARE’s experience demonstrated that such systems may be feasible when: 1) the need for active worker supervision is minimized by the nature of the product-produced and/or the organization’s structure; 2) there is broad consensus in the organization on what constitutes adequate work, and this is easily measured; and 3) staff responsible for personnel management have sufficient stature and autonomy within the organization that their position is not threatened by disagreements with individual workers.
Selection of Products

Finding #2.1: Even when organizations make exceptionally fine baskets and handloom and sell these products through international markets, total earnings and therefore returns to workers are severely constrained by market forces.

The capacity of income generation programs to benefit workers through wages or to benefit the larger community through education, health, or other programs will ultimately be limited by the product the organization produces and wider market forces that limit its returns. Like for-profit businesses, when NGOs and cooperatives produce unique products for which they are price-setters, they reap higher surplus earnings and thus have greater capacity to achieve their established goals. When they produce products for which there is considerable price-competition, their returns—and thus their spending options—are more constrained.

The organizations I studied had very limited returns, even though they made very high quality baskets and handloom, often with innovative designs. All of the organizations charged relatively high prices for their goods when compared with for-profit producers making similar products. However, they faced an upward limit on the prices they could demand, because they operated in price-competitive markets, internationally and domestically. Palm baskets were attractive but less durable than comparable baskets made of bamboo or reed with which they competed. Handloom in India faced severe competition from powerlooms which produced similar products more efficiently and more cheaply (Mazumdar 1989; Dandekar 1996).

While international sales through alternative trade organizations such as Oxfam increased all the organization’s profit margins, these sales were highly unstable and could vary between tens of thousands of dollars and nothing from one year to the next. Cyclical sales have commonly been recognized as a major problem in the international handicraft market (Dhamija 1981). At the same time, because of the severe domestic price competition, returns in the domestic segment of the
market were very low. For example, at Manapad Cooperative, the majority of profits could be explained by international sales, even though such sales were often 10% or less of its total production. As high quality producers with access to international markets, SHARE, Manapad, and RTU appeared to do as well as any organization producing basketry or handloom in India could, but this was not very well.

For contrast, I visited a socially-responsible business in South India that produced wooden massage balls for the U.K.-based Body Shop. This organization had a guaranteed market in a major oversees purchaser (the Body Shop) that was less concerned with product cost than product quality. As a result, the massage-ball producer organization could ask high prices and reap high returns. It had the resources to pay its workers more than twice what was earned in the producer cooperatives and NGOs I studied. It also earned sufficient profits to allocate money to schools, health clinics, AIDS education programs and other activities for the benefit of both workers and neighboring villages. While this was obviously an unusual relationship and an outcome that would be difficult for most NGOs and cooperatives to replicate, it underlined precisely how important product selection and markets are in determining the returns to any producer organization, be it non-profit or for-profit.

**Finding #2.2:** Piece-work, although often condemned as an “exploitive” work system, is an important management device for producer NGOs and cooperatives. It can facilitate an organization’s financial viability while enabling the organization to avoid debilitating internal conflicts.

All of the organizations studied paid workers on a piece-rate basis. This was striking given that piece-work is commonly identified as an exploitive employment system in which workers are forced to absorb much of the financial risks associated with a production activity.
Yet this system seemed appropriate, and not necessarily exploitive, in the context of NGO and cooperative production systems.

From a management perspective, piece rate solved the “free rider” problem commonly associated with basket production operations and cooperatives. (Ostrom 1990; Mellor 1988). In systems where management power over workers is imperfect, e.g., in cooperatives where workers are technically managements’ employers and in some cases select managers, it may be difficult for managers to actively demand a hard and consistent work effort. This can potentially result in inefficiency and unsuccessful businesses. Furthermore, those who have analyzed producer cooperatives have noted that they often collapse around inter-personal problems related to whether members are working equally hard and being paid fairly (Cornforth 1988; Mellor 1988). With a piece-rate system, both workers and managers could be confident that each worker was paid equally for doing a fair share of work.

Piece-rate work, and particularly home-based production by Third World women, has been linked to underpayment and over-work by researchers. Among the most serious complaint has been that this system transfers risk from wealthier traders to poorer workers. Yet, these critiques seem less sound for producer NGOs and cooperatives that include workers in management processes. Trade in these organizations is not between rich traders and poor women, but between women and their own organization. While an exploitive relationship may nonetheless arise in these organizations between craftwomen and their leaders or craftwomen and their managers, the risk of this is reduced if craftwomen have legitimate representation and input in decisions. Even workers in these organizations argued that it is appropriate for workers to bear some risk given that the organization survives or fails to survive based on their performance. Workers in both Manapad and SHARE, for example, argued that it was perfectly fair that the
organization would not want to buy moldy or substandard products from them during the rainy season. After all, they noted, "who will buy such products?" From their perspective, it would have been unfair to the organization and to all the other workers if the organization had been forced to accept worthless work based on an hourly wage or similar payment system.

Finding 2.3: NGOs and cooperatives perform better when they select production activities such as basket-making which are relatively easy to coordinate from a management perspective. Production is easier for NGOs and cooperatives to manage when economies of scale for production are unitary (the individual) while economies of scale for marketing are large.

While handicrafts and basketry appear to be a poor choice for generating substantial income, basketry seemed to lend itself particularly well to cooperative and NGO management, enabling groups like SHARE and Manapad to achieve both business goals and human capital development objectives.

First, there were clear economic incentives for basket-makers trained by the organizations to remain with them rather than defecting to alternative buyers—even though their skills were portable. Manapad and SHARE could command relatively high prices for their products both domestically and internationally because these organizations could promise large-scale deliveries with reliable quality and had access to overseas market. Craftworkers at Manapad reported that they had been approached by outside traders, but none of these were willing to pay as much as the cooperative was for their products. This situation, which stemmed from the nature of the basketry market, also contributed to high organizational performance, since both organizations would have suffered if many women had defected to other traders after training.
On the other hand, management of these organizations was relatively easy because relatively little active management was required. Except when the craft is first being taught to workers (as it was for all projects studied), there is relatively little need for overt supervision by management representatives. No coordination between workers doing different tasks is required, and, because inputs are low cost and can be easily borne by workers, there is little need for management to pressure workers to meet production schedules. As discussed above, the piece-rate system also minimizes the potential for conflict between workers and managers, since fees for work completed are transparent and opportunities for "free riding" are removed. Manapad’s minimalist management structure was illustrative. Its entire production system was organized simply by posting a board indicating what kinds of products it would be purchasing over the next several days. It was then entirely up to workers to decide whether and how much they wished to produce. Although SHARE had adopted a more complex management structure, it recognized that the need for craft teachers/supervisors was declining as producers became more adept.

The very nature of the basket production process ensured that: 1) a relatively large organization could survive with relatively few skilled professional managers; 2) an executive board composed of worker-leaders with limited education could grasp most aspects of both production and management; and 3) there were relatively few points at which conflict seemed likely to arise among workers themselves or workers and managers, the primary exception being at the point of quality control/sale to the organization.

The production environment in SHARE and Manapad contrasted sharply with the production experience in RTU's towel-making operation. While piece-rate was also employed here, workers had to be present and at their looms at particular hours and under the constant supervision of management staff. Inputs were expensive and paid for by the organization.
Therefore a high level of central coordination was critical to ensure efficient use of these inputs and to limit wastage. The many elements of the production process—setting looms, winding thread, weaving, and finishing—needed to be well-organized.

It seemed likely that the production demands of handloom towels contributed to RTU’s relatively top-down management structure. It also seemed possible that handing management over to women workers in this organization might be more difficult because 1) managers had to monitor workers on a fairly constant basis; and 2) some management tasks, such as coordinating production, costing inputs and managing working capital, might be more complex. The evidence was not conclusive, since there were clearly other factors that contributed to RTU’s hierarchical management structure. Nonetheless, the contrast between the production and management systems of Manapad, SHARE, and RTU suggested that choice of product might make participatory management more or less difficult and thus might have implications for economic and human-capital-development outcomes.

Finding #2.4: There may be a trade-off between products that have the attractive characteristics of basketry with respect to ease-of-management and the less attractive characteristics of basketry and handloom with respect to total returns.

My research suggests that producer organizations should look for products that yield high returns but that also have qualities that make them easy to manage, including through participatory management approaches. There may be a trade-off between these characteristics. It seems possible that many of the more lucrative production activities may require greater management coordination and skill, greater direct supervision of workers, and greater potential for worker-management conflict. Such production activities could include anything from circuit-
board assembly to many other light and heavy manufacturing activities. A typical production line, of the kind that is commonly associated with manufacturing processes, rarely lends itself to “on your own time” piece-work—precisely the characteristics that were conducive to participatory management in Manapad and SHARE’s production activities. However, without considerably more data, it is impossible to establish the range of possible production activities and organizational forms that may lend themselves simultaneously to adequate financial returns, management participation goals, and other community development goals including worker human capital development. This is an area worthy of further investigation.

**Profits and Wages**

**Finding #3.1:** Piece-rate wages in all organizations studied were at the upper-end of prevailing wages among handloom and handicraft manufacturers. However, these returns were still relatively low, yielding daily earnings slightly below the legal minimum wage and approximately consistent with prevailing agricultural wage rates for women.

Comparative data suggested that workers in Manapad and SHARE made somewhat more than basketweavers in for-profit organizations and in a state government-run business. Weavers for Reaching the Unreached earned piece-rate wages slightly above equivalent wages in the for-profit sector. However, daily wages were often less because workers were not as fast or skillful. Actual daily earnings for workers in the three organizations studied were commonly in the range 15-20 rupees per day—about $.60. Although this buys more in the Indian setting, these earnings would generally be insufficient to support a family. Furthermore, in SHARE and Manapad, many workers chose to work part-time, so the financial benefits they reaped from participation were far less.
Finding #3.2: Key factors shaping wage rates included: 1) competitive market constraints related to the products produced; 2) prevailing attitudes about appropriate wages for workers, including among women workers themselves; and 3) NGO’s desires to spend money on other activities. When decisions about wages were placed in the hands of leaders drawn from the craftworker community, the result was not necessarily higher worker earnings.

All of the organizations reported that market price competition was a significant consideration in setting wage levels, and this was probably the most important determinant of wage levels. Even when organizations earned unusually high profits from particular overseas sales, to ensure wage-levels remained stable, they were likely to keep base-wages more in-line with what could be earned from domestic sales. Indeed, Reaching the Unreached’s management reported that they felt they needed to bring wages down further in order to be competitive in the domestic market.

Yet there clearly were other considerations in setting wage rates. Even the two basket-weaving organizations that were profitable (as opposed to RTU that was marginally profitable) did not divide all profits among workers. In SHARE’s case, for example, approximately 5% of annual income was spent in special programs not directly related to production activities.

One reason for this was that SHARE, like other NGOs, had multiple goals in pursuing income generation projects, and this included implementing other non-production programs. Thus, even in an exemplary organization like SHARE there were incentives to limit returns to workers much as there would be in a for-profit business. Many NGOs have been accused of running for-profit businesses to benefit their founders and then “pretending” to be non-profit in

---

44 Because of the suspension of its Executive Board, Manapad was not allowed by government regulation to spend funds on activities not directly related to production and producer-members. Thus, its substantial profits were simply stored in ever-growing reserve funds and used to subsidize program administration.
the hope of benefiting from special government assistance, tax breaks, and foreign aid. Yet even when those running NGOs operate with the best of motives, as was the case in all three organizations studied, a commitment to support a broad range of community programs, and to increase an organization’s stature vis-à-vis the community at large, may lead the organization to limit returns to workers.

An additional factor that influences such organizations to pay little more than “average” wages is the level of earnings that seems appropriate or normal in the village environment. Thus, where wage differentials between men and women were standard in the village environment, the one organization that employed both men and women as workers (RTU) paid these employees at the “normal” differential rates. Both women and men employed by this organization considered this a fair arrangement. Likewise, at SHARE, where craftwomen leaders were responsible for setting wage levels, the leaders were adamant that the wages paid were fair, even when these were half of what a man might expect for similar hours of work on activities more typically assigned to men. These leaders had independent interests in limiting wages because they also were invested in the organization’s survival and in increasing its public visibility through other programs. However, most craftwomen workers at both SHARE and Manapad agreed that wages were fair.

This underlined the role of local social and political factors in setting wages, quite apart from real economic constraints. Others research has also pointed to the difficulty of paying unusually high wages in rural settings. For example, research on government employment programs suggests that there is often serious local political opposition to paying wages above standard agricultural wages because interested landowners fear (often with reason) that this will drive up wages for agricultural labor (Dandekar 1996). Other research has suggested that where
income generation programs pay exceptionally high wages, they are likely to be taken over by those with more local privilege and will have difficulty targeting those most in need (Mayoux 1991). These findings, combined with my own, suggest that the social and political obstacles to raising wages beyond a certain level are likely to be formidable.

Producer NGOs operate on a tightrope. If the wages they pay are too low, while administrators reap large salaries and/or the organization devotes substantial funds to programs that do not directly benefit workers, they are correctly viewed as exploiting their workers and no better than any other kind of business. Yet if they set wages too high, they may cause their business to be financially unsustainable, may attract a workforce they do not wish to target, and may face political and social resistance from the communities in which they are located. The “solution” the organizations studied arrived at was to pay a wage level that was approximately consistent with the local agricultural wage rates for women and that was also similar to (or slightly higher than) prevailing wages among for-profit organizations in the sector. This leads to an additional finding.

Finding #3.3: Wage levels per se are not the way producer NGOs or cooperatives differentiate themselves from for-profit producers, nor is it a way they are likely to differentiate themselves.

This may mean that pressures for higher wages, if they come at all, must come from the outside, from professional social workers and alternative trade organizations. It may also mean that we need to look to IGPs for something other than higher wages. In some cases, the non-financial benefits they offer, such as health care and day-care may be worth more to workers than wages. Further, the human capital development opportunities such organizations offer to some
may be worth more than a high salary and may ultimately help to create conditions in which village women and their communities place a higher value on women’s labor.

**Government regulation, and government and funder trade-support programs**

**Government Regulation**

**Finding 4.1:** Government has damaged producer organizations when it has become too involved in day-to-day organizational management. In Tamilnadu, this has most notably included government “take-overs” in which worker executive boards have been replaced by government functionaries even when they have performed well.

The government of Tamilnadu is deeply involved in daily-management of most cooperative organizations in the state. Relevant laws lay out in exceptional detail who has legal responsibility for the organization, the kinds activities the organizations can pursue, the level of return to worker-members, and minimum reserve funds. They also give the government the right to take over the administration of cooperatives that are not conforming with the laws of serving their members well. Although designed to protect cooperative members, this provision has been extensively over-used for political reasons, and, as a result, government take-overs have become frequent events in the lives of many Tamilnadu cooperatives, regardless of their actual performance (Shah 1996). Tamilnadu societies (NGOs) have generally been subject to less rigorous controls on their organizational form and to less direct government intervention, although new state legislation in 1995 has also left them open to take-overs on very broad grounds (Kudva 1996).

Most researchers have been highly critical of the level of government intervention in Tamilnadu cooperatives and have, indeed, identified these interventions as the single greatest
obstacle to cooperative development in the state (Shah 1996). My own research confirmed that cooperatives survived *in spite of* government take-overs, rather than because of them. SHARE engaged in extensive political protests to free itself from the cooperative system in 1992 and re-register as an NGO. Its economic performance improved considerably after this event. Manapad, which remains a government cooperative, was at least as successful prior to a government takeover in 1991 as it was afterwards. Further government take-overs have had a negative impact on the extent of worker-control and therefore on human capital development of leaders within the organization.

**Finding #4.2:** Government regulation that explicitly requires cooperative producer organizations to be governed by an executive board of seven worker members has effectively encouraged greater worker participation in management structures.

My research also suggested that there were real benefits derived from the *specific* provision in cooperative law requiring that cooperatives be managed by a group of seven executives who represent worker interests and who are generally workers themselves. Worker representative helped to manage Manapad through most of its existence, even when these worker-leaders were appointed rather than elected. Although in SHARE these positions were originally held by professional staff, the legal structure provided a framework for gradually transferring these positions to workers while the organization was still a cooperative. Critically, SHARE maintained this element of its design even after it became an NGO. Researchers on organizational form have found that among the most efficient ways to encourage a preferred organizational form is through government regulation (DiMaggio and Powell 1983), and this was clearly the case in the organizations studied. This finding seemed particularly significant when paired with finding


#1.1 indicating that organizations that included workers in management structures performed better economically and did a better job of developing human capital development among leaders and workers.

**Marketing and Technical Support**

**Finding #4.3:** Both government and foreign organizations have effectively assisted NGO and cooperative producers by offering them marketing outlets, helping them to identify market outlets, and helping them to design products attractive in various market niches. For the organizations studied, these support elements have been particularly effective because the assistance has been linked to the quality of products actually produced.

Both foreign funders and state and national government in India have supported handicrafts and handloom projects by offering marketing channels and various kinds of technical assistance. Government and funder programs in this area have been mutually reinforcing and have, together, offered very significant benefits. Foreign alternative trade organization programs that marketed NGO and cooperative products overseas were, in the organizations studied, the most important sources of *profitable* sales. In addition, all of the organizations reported that they had made contact with some of their major government, for-profit and alternative-trade buyers through government-sponsored channels, including newsletters distributed by the Handicraft Marketing Board and trade-fairs organized and subsidized by the government. Finally, all organizations interviewed reported that they had benefited from technical assistance in product design and development through training programs offered by the government and foreign funders.

This combination of programs seems to have been highly beneficial because technical support programs and market links were offered in tandem with demands from purchasers for
high quality products. Sales were never guaranteed to producer organizations by alternative trade organizations or government buyers; producer organizations were simply 1) given contact with people and organizations that might want to purchase their goods and who could tell them what they did and did not like about the products; and 2) given assistance on how to refine their goods to meet buyer specifications. The organizations studied would probably not have developed to the extent they did were it not for this rich combination of demand for quality products and support for making them. My finding in this area is consistent with the observations of other researchers that demanding but supportive purchasers along the supply chain can promote the development of successful small businesses (Tendler and Amorim 1996).

Finding #4.4: While government and foreign assistance clearly helped the organizations studied to perform better in particular producer activities, it has also encouraged these and similar less successful organizations to pursue products that yield relatively low returns.

While the extensive network of government and foreign marketing support for handicrafts—as well as the extensive range of subsidies for training workers and setting up infrastructure for these specific kinds of projects—has generally been beneficial, it has a less attractive side. As suggested above, both handloom towel production and palmcrafts were "problematic" products. Despite this, many small NGOs have focused their production activities in these areas. Notably, even SHARE was in the process of training workers so it could launch a new handloom unit, despite the powerful market forces threatening this kind of production. Its motivations seemed to be rooted at least in part in the availability of various government assistance programs. Visits to much smaller producer organizations across Tamilnadu suggest that such organizations are frequently lured into low-returns handicraft and handloom production through such programs.
Final Remarks

Running an effective production operation is clearly one of the hardest tasks an NGO can set itself. The organizations studied were among an elite group of relatively successful producer organizations, and even they were at best moderately profitable. In some ways, my study of successful producer organizations underlined precisely why there are so many unsuccessful organizations of this type. It took ten or more years of nurturing and learning for each of the organizations studied to become even moderately profitable. Income generation projects are simply difficult to implement.

Nonetheless, my case studies suggested some of the design features that can help these organizations make a difference—not simply by providing employment as any for-profit business can do, but by developing the skills and self confidence of members and craft leaders. The most successful of these organizations, SHARE, had considerable business success and even more considerable human capital impacts. There are relatively few NGOs in India that can claim to have elected nine of their leaders to local government. My research suggested that producer organizations may theoretically face trade-offs between selecting products that provide high levels of financial returns (e.g. electronics assembly) and production activities that can be easily coordinated by alternative producer organizations (e.g. basketry). Yet they also suggested that participatory management, human capital development, and economic success can go hand-in-hand when organizations are well designed, supported by competent professional staff, and assisted by the right kind of external regulatory, financial, and trade supports.
Bibliography


Sanyal, Bishwapriya with Rajesh Pradhan. Undated. *An Institutional Approach to Urban Informal Sector Policies in Developing Countries: Lessons from the Past; Directions for the Future.* UNDP.


