



UvA-DARE (Digital Academic Repository)

India's social question in a state of denial

Breman, J.

Publication date

2010

Document Version

Final published version

Published in

Economic & Political Weekly

[Link to publication](#)

Citation for published version (APA):

Breman, J. (2010). India's social question in a state of denial. *Economic & Political Weekly*, 45(23), 42-46. <http://epw.in/epw/uploads/articles/14833.pdf>

General rights

It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations

If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: <https://uba.uva.nl/en/contact>, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.

India's Social Question in a State of Denial

JAN BREMAN

In the four and a half years of its existence the National Commission for Enterprises in the Unorganised Sector submitted nine reports exploring a variety of conditions in India's "unorganised" sector. It is not surprising that the analyses and recommendations of these reports have been ignored by the government, for they call attention to the urgent need to address the inequality and non-inclusiveness in India's growth process. A reflection on the NCEUS' reports, in particular the last report of the commission on the challenge of employment.

The *Challenge of Employment in India: An Informal Economy Perspective* was the final report which sums up the findings of the National Commission for Enterprises in the Unorganised Sector (NCEUS) set up in September 2004 with the broad charge to "review the status of the unorganised/informal sector in India including the nature of enterprises, their size, spread and scope, and magnitude of employment".¹ The outcome of the elections in that year which brought the United Progressive Alliance to power was announced as a decisive shift in politics and policies from which the common man would stand to benefit. While the "India Shining" operation in the preceding years had increased the prosperity of the already better-off, the new government committed itself to ensure "the welfare and well-being of all workers, particularly those in the unorganised sector, who constitute more than 93% of our workforce". This was a tall order, more so because of the paucity of concrete and reliable data on what goes on in the echelons of the economy which to a large extent are beyond the purview of the state.

In the four-and-half years of its existence, the NCEUS – chaired by Arjun Sen Gupta and with only two members (K P Kannan and R S Srivastava) and two part-time members (B N Yugandhar and T S Papola) – managed to produce altogether nine reports. The last one sums up what the commission considers to be the overarching problem, which is the lack of adequate and decent employment at a fair wage for the large segments of the workforce hovering around the bottom of the informal sector economy. In addition to providing a mine of quantitative and qualitative information on the terrain which until now was mainly grasped on the basis of micro-level case studies, the final report ends with a list of what needs to be done

to upgrade work and improve livelihood for the common people or what is popularly referred to as the *aam aadmi*.

The urgency of such a plan of action is underscored by the statement that 77% of the population in 2004-05 had to make do, on an average, with no more than Rs 20 per day per capita. The commission's classification of these people as poor and vulnerable stems from the observation that the official poverty line of Rs 12 per day consumption is fixed at an inordinately low level and needs to be doubled (when converted in purchasing power parity terms, equal to a spending capacity of about two dollars per day) in order to meet with internationally accepted standards. Those who have to survive on half that amount are destitutes – such as the old, who have lost their labour power, the chronically ill, the physically and mentally disabled, women with or without children who are divorced or widows – and should be put on record as the victims of pauperisation, a term avoided in all official documents.

A Report Shunted

The NCEUS reports were delivered where they had been commissioned: at the prime minister's office. Winding up business and vacating the premises took place on the very day the final report was submitted, end of April 2009. What happened next? Until now nothing at all. Of course, it is anything but exceptional that findings and recommendations of official commissions are not followed up policy-wise. Intriguing in this instance, however, is that even receipt of the concluding report was not acknowledged let alone taken up for further consideration-cum-action. There is little doubt that the stony silence has much to do with the factual evidence produced, which is that a very large chunk of India's informal sector workforce is mired in poverty and that their deprivation has not become much less during the 10 years on which the NCEUS has focused, from 1993-94 to 2004-05. This was not welcome news in policy circles indulging in the comfort of sustained high rates of economic growth.

Indeed, the reported figures do give cause for much concern and that is putting

Jan Breman (J.C.Breman@uva.nl) is professor emeritus at the Amsterdam Institute for Social Sciences, University of Amsterdam, The Netherlands.

it mildly. It soon becomes clear why the commission has labelled employment as the most important problem in the time to come. As the rapporteurs have pointed out, between 1993-94 and 2004-05 – that is in the decade when the neoliberal reforms of the early 1990s started to take off – the rate of employment growth declined significantly to 1.85% from the previous 10 years when it went up a little over 2% on average. Moreover, the employment growth which took place was nearly exclusively within the informal economy. There has been a similar fall in the growth of real wage rates. Thus, these years of high economic growth were not accompanied by a spurt in employment generation and a rise in average earnings of the workforce. The outcome was even more disappointing since, as worrisome as the drop in the quantitative growth of employment was, no improvement has occurred in the quality of employment. While decent conditions of work always remained rare in the informal sector of the economy, an increasing number of formal sector workers could hold on to their job only by accepting informalisation of their formerly secure and respectable labour standards. Sliding down from what in the doctrine of the free market is looked upon as unduly privileged and protected terms of service, these people have come to share the plight of the informal sector workforce summed up by the commission as absence of job security, income security and social security.

More Rather Than Less Inequality

Has poverty declined in the period on which the commission has concentrated its analysis? This is what policymakers have told us time and again. But their positive verdict may be biased by wishful thinking stemming from an undue emphasis on improvement among segments which have some means of production such as land, tools or other forms of petty capital that could be upgraded. Poverty and lack of resources are closely inter-related. It is quite clear that all those who have to rely solely on their low or unskilled labour power for making a living did not benefit from the accelerated pace of economic growth. The years of high growth has made the middle and upper

classes – barely a quarter of India's population – much better off than they were before, an equal portion may have managed to marginally enhance their condition, while the majority of the informal sector workforce made only negligible progress or none whatsoever. The polarisation trend manifest in India's economy and society cannot properly be understood by juxtaposing the formal and the informal sector as the polar ends of a duality. A feature often overlooked in informal sector studies is the role of capital. Informality has to be analysed by elaborating on the capital-labour relationship. It means putting capital upfront which starts by making it visible and transparent rather than allow it to remain hidden. Contrary to the low price paid to labour, the return to capital beyond the control of the state is usually quite high. While the risk of employment is rarely borne by the owners or managers of capital and the workers are bereft of bargaining power, their employers tend to be well-organised. Doing business in the way of informality yields attractive profits. To label this sector as unorganised is therefore a misnomer. It also means that both transactions and accumulation of capital outside the formal sector economy remain fairly unnoticed.

The note in the commission's final report that productivity has increased at the same time that employment has stagnated leads me to conclude that labour is being squeezed to an ever greater degree. Of crucial importance in the progressive intensification of the workload is wage payment not based on time rate but on piece rate. This modality goes together with what is put on record as self-employment but which actually is a disguised wage labour contract. What passes for self-employment easily boils over in self-exploitation because these workers are willing to exert themselves until the point of exhaustion for the sake of raising their all too meagre incomes. Apart from lengthening the workday and night, they also cannot afford to prevent both children and aged members of their household from engagement in the labour process. Insistence on piece rate payment and self-employment explains why and how the very young as well as the very old are

drawn into the informal sector workforce. These dominant modes of hiring labour are strong compulsions to hold the under-aged and over-aged accountable for contributing to their own livelihood. Even then there is a segment which lacks the wherewithal to make both ends meet and in addition to tap into savings or credit in order to take care of ill health if not of unavoidable expenses at the occasion of life cycle events in the household such as the marriage cost of a son or daughter. Totally without resources that can be mortgaged or encashed these people have no alternative but to sell their labour power in advance. It means losing the freedom to choose your own employer or to change your job until the debt is paid off or rather worked off. Moreover, part of the deal is to receive wages lower than paid in the open market.

Such terms of employment explain what I have called neo-bondage, i.e., a form of attachment to an employer which has features distinct from the agrarian bondage as it used to exist in the past. The incidence of debt bondage is widespread in the informal sector economy, particularly among migrant workers and segments equipped with a social identity which makes them vulnerable to exploitation and discrimination from the better endowed castes and classes.² The number of men, women and children who have to surrender control over their own labour power should be counted in crores rather than in lakhs.

Impact of the Global Meltdown

Has the situation changed since 2004-05? After all, one could argue that it takes more time for the trickle-down mechanism to make its impact felt and it is on this approach that the policymakers rely for settling the social question. All said and done, does it not stand to reason that the already better-off first get their piece of the cake before the less privileged share in the fruits of growth? However, also in subsequent years, between 2005 and 2010, the flow of the economy has not seen any major turnaround: very high annual growth figures of nearly 9% between 2004-05 and 2007-08 and growth of more than 5% in the two subsequent years but stagnating employment and no upward

swing in real wages for the down and out. The reason for this is readily available: the meltdown which has ended the boom period all over the world. Although India's performance after 2008 is definitely much better than most western economies have fared, the government's budget is still considerably constrained by a slowdown in the growth of revenues which means that social sector expenditure has had to be curtailed. Of course, a regrettable setback but one which will be overcome in due course. But more is at stake for the underprivileged than only delayed access to public health and education. In contrast to capital which is bailed out in the economic recession, labour seems to have taken the brunt in the policy dealing with the effects of the downturn.

Going back in early 2009 to my previous sites of fieldwork in India and Indonesia I found that the so warmly praised flexibility of labour has enabled employers to further cut down on the cost of their workforce while the ongoing drive towards informalisation of employment standards in the formal sector was ruthlessly carried forward.

In Surat city the impact of the crisis on the workforce in the diamond industry has been particularly brutal. Of the roughly 4,00,000 diamond cutters-polishers – spread over large, medium and small workshops intertwined in a chain of outsourcing production – 2,00,000 were laid off between late 2008 and early 2009, while those who did not lose their job straightaway had to accept lower piece rates for the stones they processed and working hours were also sliced to half-time or even less than that. Workers in the diamond industry constituted the cream of the informal sector with earnings going up to Rs 7,000-8,000 per month. Most of them were migrants who had to go back to their native place because jobless they could not afford to stay on in the city. Indira Hirway has informed us in a case study on their predicament.³ She noted that the department of labour, government of Gujarat, wanted to conduct a survey but this attempt to put on record the severe setback to this very important branch of industry in Surat was sabotaged by the employers who have a long

record of resisting official interference in their business.

...because the owners of the units feel that registration will force them to provide social security to workers, whose employment is usually temporary and dependent on export orders received from abroad. Faced with this resistance, there were two options for the government: to continue the survey and let the units close down or to discontinue the survey. The department of labour chose the second option.⁴

The Self-Employed Women's Association (SEWA) reported on the fall in prices paid to waste collectors in Ahmedabad. While the crisis deepened the ragpickers, survivors at the bottom of the informal sector economy, received for their daily harvest at best only half of what they used to get. A SEWA activist reported on the anguish she met in her round of visits to local members. One of them began to cry.

'Who sent this recession? Why did they send it?' I was speechless. Her situation is very bad, her husband is sick, she has five children, she stays in a rented house, she has to spend on the treatment of her husband and she is the sole earner in the family, how can she meet her ends? When she goes to collect scrap she takes along her little daughter, while her husband sits at home and makes wooden ice-cream spoons, from which he can earn not more than Rs 10 a day.⁵

Whereas the informal sector was initially portrayed as a waiting room for migrants in their onward passage as newcomers from the hinterland who had arrived in the urban economy but still lacked the skills and social capital required to move up to regular jobs and steady incomes, later on the perspective changed when it became clear that the formal sector would not be able to accommodate the relentless influx of footloose contingents driven out of the agrarian-rural economy. In this reassessment once again inspired by a neoliberal ideology formalisation of employment became the problem rather than the solution. In the wake of the global recession another twist can be discerned claiming that the informal sector operates as a veritable safety net for workers who have lost their formal sector rights. There seems to be no need for a public dole when sliding down in the labour hierarchy does not stop these resilient people from coping remarkably well with their adversity.⁶

Development with Dignity

The commission's fact-finding report ends with a large number of recommendations, too many to list all of them here. However, the most important ones can be singled out and clubbed together. The one recommendation overriding all others is to expand employment for the people in the lower echelons of the informal economy and in the realisation of that major objective see to it that the work provided will not be compromised by less than decent employment standards. The commission has specified the minimum set of conditions which are required: (a) eight-hour working day with half-hour break; (b) one paid day of rest per week; (c) national minimum wage for all forms of employment not listed in the Minimum Wages Act; (d) piece-rate wage to equal time-rate wage; (e) women's work to be remunerated on par; (f) deferred payment of wages to attract penal interest; (g) deductions in wages to attract fines; and (h) right to organise. All those familiar with the informal sector economy as it operates would agree that implementation of this list of do's and don'ts calls for a total reverse of practices as they exist. It shows that the mindset of the commission was diametrically opposed to the main tenets held by the policymakers who steer the course of the economy.

Fully aware that the proposed agenda is bound to encounter strong opposition from the milieu of vested interests, the rapporteurs suggest a first beginning by adapting a rights-based programme of action promoted by a more organised working class and a vigilant civil society. Their strategy stipulates the creation of a social floor guaranteeing for all citizens access to adequate food (to end malnutrition), sufficient employment (to cope with lack of work), fair wage and steady income (to be relieved from a life of poverty), social security (to be protected against adversity), housing, healthcare and education.⁷ It means actually a return to the basic needs approach mainly pushed by the International Labour Organisation (ILO) during the 1970s, although for a couple of years only. Has the political climate become more conducive of late? That is quite doubtful but, at the same time, going in this direction is more urgent than ever before.

Confusion about Inclusive Growth

Why is that so? Because, as the commission remonstrates, an unconditional reliance on the free interplay of market forces in order to maximise economic growth is adhering to a road map which produces more deprivation for the segments down below and more wealth for those higher up. Moreover, these divergent dynamics are interconnected in the sense that the ongoing squeeze at the bottom is directly related to the accumulation of surplus at the top. It is basically a strategy of betting on the rich and forgetting about the poor, not to acknowledge the latter multitude as citizens but to reject them as outcasts. To halt the drift to further polarisation a turn-around in the economic policy from exclusive to inclusive growth is forthwith required. But how can that be? The political party in power went on public record with the pledge of inclusive growth. Alas, but this is where the confusion arises.

The mandarins presently in charge maintain that the time for inclusion will come when growth rates remain sustained at a high level and as long as it takes to make the laudable goal feasible of public expenditure on education, health and also on social care arrangements. Their line of thinking implies that inclusion is the outcome and cannot be the concomitant of the growth process. In plain language the commission clarifies its opposite point of view arguing that inclusion is *conditio sine qua non* to progress, a feature of participatory involvement without which the drive towards development is bound to fail. Not waiting for the ultimate trickle down of what is left over but rather insist on a bottom-up mechanism. Eschewing the term formalisation of employment, which is what they really have in mind, the rapporteurs press for a levelling-up approach. They back up their case by foregrounding a righteous stance.

The recognition of the need to ensure socially acceptable conditions of work is based on the basic principles of moral philosophy and human dignity and rights, which have also been adopted as international covenants by bodies such as the International Labour Organisation and others concerned with human rights and development...In India the basic principles governing state policy as enshrined in the Constitution,

directly or implicitly, ask for ensuring these conditions for all workers (p 25).

On the basis of my own experience I share the commission's opinion that participation in the process of economic growth is the yardstick of being included or not. I myself happen to be the product of the welfare state in western Europe, the foundation of which emerged in my country during the first half of the 20th century. The transformation of society and economy which took place meant that welfare was not spread around but got generated by expansion of decent and dignified employment in the public and private sector on the basis of state intervention and the political execution of socio-economic policies resulting in an egalitarian climate all around bent on dividing up the steady rise of national product in a spirit of equity, proportional representation in a democratic framework and social justice. The route followed then and there comes close to what the NCEUS chairman, forefronted in his introductory summary.

The most important conclusion that follows from the findings of the Commission is that all these efforts to improve the quantity and quality of employment in the unorganised sector would require a new approach to economic planning in India. The objective of our planning process from now on should be "maximising employment", in terms of quantity and quality and social development (p v).

I have already indicated that the analysis and prescriptions the commission produced in good faith has upset the powers that be. It did not take them long to express in the quietude of office rooms and corridors their disapproval of a report they did not want to discuss let alone act upon. But when in early May 2010 Union Home Minister P Chidambaram came for a visit to the Jawaharlal Nehru University, New Delhi, he met with students who asked him to comment on the commission's statement that three quarters of India's population could afford to spend in 2004-05 not more than Rs 20 a day, his predictable reaction was to deny the veracity of the fact. How could this be, he quipped, in a country where 86 million mobiles have been sold. The minister does not seem to be aware that even some poor people may need a mobile for scratching around their work domain: the dhobi to contact his

customers, the maid who has three or four workhouses to take care of, ragpickers going from one garbage heap to the next and meanwhile having to remain in touch with waste dealers, temporary migrants who away from home want to remain accessible to household members left behind to exchange happy or sad news or once in a while just to overcome their sense of loneliness. But the flippant remark of the dignitary also implies that having a mobile is, as far as he is concerned, good enough proof of inclusive growth.

His opinion was contested by the participants of the conference held in Delhi on 7-8 May and convened by the Institute for Human Development to discuss *The Challenge of Employment in India*. These were mostly academic scholars and representatives from civil society who in their contribution showed themselves to be in strong agreement with the substance and purport of the report. It was in a way embarrassing that the initiative to hold these deliberations came from a civil society institution rather than from a public agency such as the Planning Commission. It is a telling demonstration of the state of denial characteristic for the attitude of the main body of policymakers unwilling to tackle the social question. The loud and clear message coming from them says that the ongoing transformation from a rural-agrarian economy to an urban-industrial one is best served by freeing the forces of production from all market interventions and from all public meddling. In line with the instructions from the global commanding height – the World Bank and International Monetary Fund in particular – private interest gets a free hand in dealing with labour as it sees fit. The commission's final report testifies to the fallout of the policy preaching total labour market flexibilisation and accepting the dictate of capital as a cure for all developmental ills.

Modest efforts made to start handling labour issues more seriously than has been done since the onset of the new economic regime are resolutely blocked already before they can be vented in public space. A good example is how an outline for a National Employment Policy, in a paper drafted by the ministry of labour with the support of ILO, was swept off the agenda when tabled in a cabinet meeting.⁸

That the story ended here is also a reflection of the lowly status of the ministry of labour compounded by its pitiable staffing.

Disregarding the 'Danger from Below'

Given the degree of poverty and vulnerability confronting the labouring poor it is remarkable that the proponents and beneficiaries of "India Shining" do not seem to be bothered by an anxiety that the anguish and anger building up among the bottom ranks of the urban and rural milieu might spill over in outbursts of violence. While the prime minister has declared the Maoist threat in the remote jungle hinterland to be the prime security risk the nation faces, it seems that no thought is given to the simmering unrest in the urban and rural slums of the heartland. The notion of *les classes dangereuses* played a pivotal role in the willingness of the elites in west Europe from the end of the 19th century onwards to absorb the underclasses into mainstream society.⁹

While the *haves* in that part of the world decided to change tack and facilitate the inclusion of the *have-nots* into the welfare state, India's better-off segments do not appear to be least bothered by the danger of a social revolt from below. And for good reason, it seems. Other than the European working poor, who managed to get organised in trade unions and political parties in the process of industrialisation and urbanisation, the relentless drive towards informalisation of the economy means that the underprivileged masses are a fragmented and segmented lot. Accompanied by the shrinking of public institutions and space these poor are bonded only on the basis of primordial loyalties such as caste, ethnicity and religion. They are treated as a huge reserve pool of labour that can be recruited and laid off in accordance with the fluctuating tide of economic activity. A large proportion of them remain footloose as temporary migrants pushed out of their native places but unable to settle down elsewhere. How massive is this mobile army? We simply do not know because the pundits of formal sector statistics, mostly hailing from upper caste and upper class stock, fail us badly in their monitoring of the informal sector economy.

The NCEUS' final report suggests that the number of seasonal migrants in the country could be in the range of 30 million, while in a recent study circulating migrants are estimated to have reached the figure of 100 million.¹⁰ In view of the recent upheaval in Thailand the chance of a similar popular uprising seems all of a sudden not any longer a mere figment of imagination. Built into the economic dogma of growth first is, of course, the ingrained notion held by large segments of the nation's elite that the old fabric of inequality is meant to endure. The social question does not even arise in a milieu favouring the better-off and shutting up the voices of the poor. For that reason explosions of unrest are bound to come as a rude shock.

Civil Action for a Welfare State

The NCEUS submitted nine substantial reports during its tenure from 2004-09 which is more than enough to feel grateful for. In view of the wide range of issues that had to be covered and the felt need to get a handle on the multifaceted and complex nature of the informal sector economy, the mass of data put on public record is of immense value for mapping a landscape which has remained hazy so far. I have not commented on various issues discussed in detail in the reports: problems of gender inequity, access to technology, the urgent need for schooling and skilling, the constraints of micro-enterprises, availability or not of credit and at what price, the demographic dividend or burden, and so on. However, time was too short to go beyond of what has been achieved and that is an impressive record. Maybe more light could have been shed on agriculture which is still the prime sector of the economy representing about two-thirds of the informal workforce. The commission also regrets not having been able to produce a report on the urban economy of which informality is such an important feature. However, all of us have ample reason to be grateful for a job well done.

In my opinion the NCEUS' work should be regarded as a landmark and a source of information that cannot be missed in further studies. As an ILO official said in the Delhi conference: "The NCEUS is, to my knowledge, the largest single national

effort in the world to encompass the characteristics and needs of what is known as the informal sector". But the exceptional contribution the commission made is not only in terms of fact-finding and analysis. In addition there is the set of doable recommendations – financially and institutionally – on how to strengthen labour rights which are now missing for the men, women and children in the informal economy. The next step is to engage in action. Building up the political pressure in the public domain is a challenge facing all of us. Let us make a start.

NOTES

- 1 Volume I Main Report and Volume II Annexures. Report of the National Commission for Enterprises in the Unorganised Sector, Government of India, Academic Foundation, New Delhi, 2009. This report as well as the preceding ones are also accessible on web site: www.nceus.gov.in.
- 2 Jan Breman, "The Political Economy of Unfree Labour in South Asia: Determining the Nature and Scale of Debt Bondage" in *Outcast Labour in Asia: Circulation and Informalisation of the Workforce at the Bottom of the Economy* (Delhi: Oxford University Press), 2010: 329-59.
- 3 Indira Hirway, *Losing the Sparkle: Impact of the Global Crisis on the Diamond Cutting and/Polishing Industry*, United Nations Development Programme, India, December 2009.
- 4 Hirway, op cit, p 9.
- 5 Self-Employed Women's Association (SEWA), *We, the Self-Employed*, SEWA electronic newsletter, No 18, 15 May 2009.
- 6 For further elaboration see Jan Breman, "Myths of the Global Safety Net", *New Left Review*, 59, September-October 2009: 29-36.
- 7 To these priorities I would add settlement security in view of the huge armies of temporary migrants who remain footloose. They are hired and fired according to the need of the moment and are prevented from staying on wherever they have gone in their search for work.
- 8 The attentive audience of the New Delhi conference just mentioned came to know how a minister who has no economic portfolio, casually observed that there is no need for a new employment policy since no alternative is required for what is being practised.
- 9 A de Swaan, *In Care of the State: Health Care, Education and Welfare in Europe and the USA in the Modern Era*, Polity Press, 1990.
- 10 P Deshingkar and J Farrington (ed.), *Circular Migration and Multilocational Livelihood Strategies in Rural India* (Delhi: Oxford University Press), 16.

Economic&PoliticalWEEKLY

available at

Ganapathy Agencies

3/4, 2 Link Street
Jaffarkhanpet, Ragavan Colony
Chennai 600 083
Tamil Nadu
Ph: 24747538