EDITED BY

Virginius Xaxa, Debdulal Saha and Rajdeep Singha

# Work, Institutions and Sustainable Livelihood

*Issues and Challenges of Transformation*

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Virginius Xaxa • Debdulal Saha • Rajdeep Singha
Editors

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## Issues and Challenges of Transformation

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# Preface

This book evolved from the annual thematic conference of the International Center for Development and Decent Work (ICDD), University of Kassel, Germany. The conference, organized by the Centre for Labour Studies and Social Protection (CLSSP) of Tata Institute of Social Sciences (TISS), Guwahati campus, was held on 19–20 February 2016. 'Decent Work and Sustainable Development along Rural-Urban Gradients' was the theme of the conference. In all, 52 scholars from Europe, Latin America, Africa and Asia attended the conference and deliberated upon aspects of work and sustainable development. The issues that had emerged from the discussion were 'conditions of employment', 'future of work' and 'questions of sustainability'. We decided to focus on the institutions within rural and urban economies which have important roles in transforming work and livelihood and making it sustainable using progressive instruments and innovations. Of all the papers, we identified 11 which raised the issues and challenges of transformation in the context of Asia and Africa. The volume is an outcome of that exercise. Contributions are based on both theoretical and empirical studies from these two continents. The 11 chapters are presented across 3 sections—rural economy and its transformation, urbanization and sustainable livelihood, and innovations and instruments in transformation. We will address these theoretical discourse and empirical issues against the backdrop of current development trajectories in the context of the Global South.

Without the support, encouragement and generosity of various individuals and institutions, this volume would not have been completed. To start with, we thank the faculty, staff and students of the TISS Guwahati campus who made the conference possible. We express our sincere gratitude to all the contributing authors of this book who had earlier presented their papers in conference and later agreed to collaborate with us. Without their support, we could not have brought this volume to publication within the stipulated time. We thank Christoph Scherrer and Christian Möllmann from ICDD for helping us while conceptualizing the conference theme. We thank ICDD for its financial support and in particular Birgit Felmeden and Antje Bracht from Kassel for their untiring support in guiding in the organization of the conference. Our special thanks to Madhuparna Banerjee who copy edited this volume. We thank the anonymous referees for their useful inputs and suggestions. We would like to thank the Palgrave team, in particular Sagarika Ghosh (Executive Editor), Nupoor Singh (Associate Editor) and Sandeep Kaur (Assistant Editor), for their support and cooperation at every stage to see the project through to fruition.

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**Christoph Scherrer** is professor of globalization and politics, Executive Director of the International Center for Development and Decent Work at the University of Kassel, and a member of the Steering Committee of the Global Labour University. He holds PhDs in political science from FU Berlin (Dr. habil.) and the University of Frankfurt (Dr. phil.) and an MA in economics (University of Frankfurt). He has received the Excellency in Teaching Award of the State of Hessia and the Excellence in Development Cooperation Award from the German Academic Exchange Service (DAAD). Recent English language publications include "The Political Economy of Prison Labor: From Penal Welfarism to the Penal State", in *Global Labour Journal*, 8(1) 32–48 (2017, co-authored with A. Shah); "The Covert Assault on Labor by Mega-Regional Trade Agreements", in *Giornale di diritto del lavoro e di relazioni industriali* n. 150, 343–363; *Combating Inequality: The Global North and South*, London: Routledge (2015, co-edited with A. Gallas, H. Herr, and F. Hoffer), *The Transatlantic Trade and Investment Partnership: Implications for Labor*, Hampp Verlag (2014, ed.).

**Christa Wichterich** obtained her PhD in sociology, was a guest professor of gender politics at Kassel(Germany) and Basel (Switzerland) University and now works as a university lecturer, free-lance author and scholar-activist. Earlier she had worked as a lecturer at Gilan University in Iran, Jawarhal Nehru University in India and as guest lecturer at various German, Austrian and Swiss universities. As a researcher her main topics are gender perspectives on globalization, women's work and economy, women's movements and international women's policies. Her methodological approach is interdisciplinary and intersectional from a perspective of feminist international political economy and feminist political ecology. She has published extensively on the aforementioned issues.

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# Abbreviations

| | |
|---|---|
| BIG | Basic Income Grant |
| CEPIL | Centre for Public Interest Law |
| CGAP | Consultative Group to Assist the Poor |
| CGTIS | Confédération Générale des Travailleurs de l'Économie Informelle au Sénégal |
| CPP | Nkrumah-led Convention People's Party |
| CRPF | Central Reserve Police Force |
| DfID | UK's Department for International Development |
| EICC | Electronic Industry Citizenship Coalition |
| EITI | Extractive Industries Transparency Initiative |
| FAMATS | Fédération des Associations des Marchands Tabliers du Sénégal |
| FDI | Foreign Direct Investment |
| FIAN | Food First International Action Network |
| FSSAI | Food Safety and Standards Authority of India |
| GATT | General Agreement on Tariffs and Trade |
| GDP | Gross Domestic Product |
| GEAR | Growth, Employment and Redistribution |
| GMWU | Ghana Mineworkers Union |
| GP | Gram Panchayat |
| GUFs | Global Union Federations |

| | |
|---|---|
| IFC | International Finance Corporation |
| IHDS | India Human Development Survey |
| ILO | International Labour Organization |
| INSS | National Institute for Social Security |
| ISODEC | Integrated Social Development Centre |
| ITUC | International Trade Union Confederation |
| KfW | Kreditanstalt für Wiederaufbau (Germany) |
| L&LR | Land and Land Reforms Department |
| MFIs | Microfinance Institutions |
| MGNREGA | Mahatma Gandhi National Rural Employment Guarantee Act |
| MNC | Multinational Corporation |
| MPCE | Monthly Per Capita Expenditure |
| MPP | Marginal Physical Productivity of Labour |
| NAALC | North American Agreement on Labor Cooperation |
| NAFTA | North American Free Trade Agreement |
| NAO | National Administrative Office |
| NBS | National Bureau of Statistics |
| NFHS | National Family Health Survey |
| NIN | National Institute of Nutrition (Hyderabad, India) |
| OAE | Own Account Enterprises |
| PASP | Productive Social Action Programme |
| RNFS | Rural Non-Farm Sector |
| ROSCA | Rotating Savings and Credit Association |
| RS | Revisional Settlement |
| SC | Scheduled Caste |
| SDLLRO | Sub-Divisional Land and Land Reforms Officer |
| SGMC | State Gold Mining Corporation |
| SMC | Siliguri Municipal Corporation |
| SMU | Small and Medium-sized Enterprise |
| SRL | Sustainable Rural Livelihood |
| SYMAD | Synergie des Marchands dits Ambulants pour le Développement |
| TiSA | Trade in Services Agreement |
| TNC | Transnational Corporation |
| TPP | Trans-Pacific Partnership |
| TPPL | Total Physical Productivity of Labour |
| TTIP | Transatlantic Trade and Investment Partnership |

| | |
|---|---|
| TWN | Third World Network |
| UDTS | Union Démocratique des Travailleurs du Sénégal |
| UNDP | United Nations Development Programme |
| WTO | World Trade Organization |

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# 1

# Introduction

**Debdulal Saha, Rajdeep Singha, and Virginius Xaxa**

The discussion over what constitutes sustainable livelihood assumes an importance in the neoliberal era when the nature of work and role of institutions are being transformed, particularly in the Global South. Sustainable livelihood strategies encompass three broad components—income, production and distribution. It may be achieved by accessing five broad resources, namely natural, economic, human, physical and social capital. Livelihood becomes sustainable by creating gainful work and employment opportunities. This reduces inequality and increases resilience among households in this process. Today, one of the main problems facing the global economy has been persistent jobless growth. Job-centric economic growth creates a virtuous circle which enhances productivity,

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reduces poverty and leads to sustainable development. However, it is not enough that jobs are created; the jobs must assure minimum levels of income and sustenance. In this context, the role of formal and informal organizations and institutions becomes particularly important. This is because they ensure access to sustainable income and assist households in achieving a dignified life. Against this backdrop, the main objective of this book is to establish the relationship among three broad concepts—work, institutions and sustainable livelihood within current development discourse. In particular, the book tries to delve into the role of institutions in promoting decency of work and sustainable livelihood strategies. The book consists of eleven chapters across three sections.

First, unblemished structural changes are taking place in the rural economy, which is puzzling. Though the contribution of the agricultural sector to gross domestic product (GDP) is sharply declining, the proportion of the workforce involved is high. This raises the fundamental question—what kind of transformation is taking place in the rural economy? Does this indicate an agrarian crisis? This is discussed in the first section of the book, leading to further analysis of the existence of a dual economy (dichotomy of two sectors, rural and urban) in the second section. The two-sector model can be traced back to the fault-ridden growth models adopted by the nations of the Global South, especially following World War II. Building up capital-intensive industries, promoting exports and replacing imports with domestic production, and saving precious foreign exchange are strategies to enhance economic growth, which in turn are supposed to take care of employment automatically. Thus the dualistic nature of economies was recognized (Lewis 1954; Fei and Ranis 1961; Harris and Todaro 1970). With wage rates being higher in modern sectors, workers from rural traditional sectors would be drawn into modern urban sectors. By expanding outputs and reinvesting profits, a higher labour demand and self-sustaining growth were created in the modern urban sector. However, less developed economies were confronted with unprecedented levels of unemployment/underemployment coupled with large-scale rural–urban migration. This was highlighted in 1970by Harris and Todaro, who explained that this migration was in response to rural–urban differences in expected incomes. Further migration took place after the calculation of costs and benefits from certain decisions. While some migrants (having skills and education) would manage to work in formal jobs, others would remain unemployed or find some employment in sectors which had not been modernized. This duality is a clear indication of institutional failure in creating gainful employment in the urban sector, leading to the emergence of an alternative institution—the informal sector. Against this backdrop, the question of decent work and sustainability of employment has come to assume an importance which is discussed in the second section. Third, structural transformation in the process of economic development is leading to changes in existing institutions as well as to the emergence of new institutions. Are existing institutions up to the task, or are alternative institutions needed which can transform the economy through various progressive strategies in the political discourse on development? These questions will be considered in the last section of the volume.

## The Rural Economy and Its Transformation

This section comprises five chapters. It deals with issues of Land alienation and the process of dispossession. In Chap. 2, Virginius Xaxa shows how indigenous/tribal peoples in India have undergone a rural transformation since colonial rule and administration to present times. It is a story of what happens to minority peoples when they are incorporated into a modern state and market without any effective protective measures. Indigenous/tribal peoples in India, numbering 104 million as per the 2011 census and forming 10.06 per cent of the total population of the country, like indigenous peoples in other parts of the world, are among the poorest and most marginalized sections of the population. Further, not only do they represent a disproportionate share of the most illiterate and vulnerable sections of society, they also suffer disproportionately from loss of their land, forest and other resources. This chapter highlights how tribes came under a single political authority and were brought under the same laws, rules and regulations that were at work in other parts of India. They experienced the introduction of certain policy and administrative measures, especially with respect to land and forest, that had adverse impacts on them. Alongside those measures, the British opened the tribal areas to the larger world by extending roads, railways and other means of transportation and communication. This led to the movement of people—traders, moneylenders and land-hungry peasants from plains to tribal areas in search of new opportunities. Urbanization and modernization paved the way to the development of markets for goods and commodities on the one hand and land and credit on the other. Xaxa further argues that the land and forest policy of the colonial state in conjunction with the land, credit and commodity markets eventually led to the development of labour markets in tribal areas in the transformational process.

The development corporation's imperative role in transforming the economy is discussed in the second chapter by Patrick Kwamla Agbesinyale. In that chapter, it is demonstrated how mining communities have over the years nurtured and developed countervailing power which they have used to check the perceived excesses of the mining companies. Using a longitudinal case study of the Ahansonyewodea mining community near Obuasi, the author suggests that with support from right-based civil society organizations/non-governmental organizations (CSOs/NGOs), the community has made appreciable gains in applying countervailing power to strike a balance between the community and the giant AngloGold Ashanti mining company. Ghana's mining sector, specifically the gold subsector, has since the mid-1980s witnessed a massive influx of multinational mining companies, leading to Ghana's new gold boom. This was seen as a response to the landmark mining policy reforms carried out by the government within the framework of the country's World Bank/International Monetary Fund-prescribed structural adjustment programme. However, the mining operations of these companies have brought them into sharp conflicts with their host communities over contests for resources. Patrick Kwamla Agbesinyale shows that corporate–community relations have been nothing short of adversarial and belligerent owing to asymmetrical power relations, with the companies perceived as despotic and arrogant and acting with impunity with apparent state complicity.

The dichotomy between rural farm and rural non-farm employment is a discussion point in current development debates. According to the Food and Agriculture Organization of the United Nations (FAO) (1998), there are three broad stages of transformation of a rural economy. First, there are strong production and consumption linkages between the farm and non-farm sectors besides just rural–urban links. During this stage, the main non-farm activities tend to be those having either forward or backward linkages to agriculture. The second stage is characterized by a lower share of households directly dependent on agriculture and greater rural–urban links to livelihood outcomes. The third stage of transformation is characterized by a maturing of the trends that emerged in stage two, namely, stronger income and employment linkages with urban sectors having little or no relation to agriculture. These broad trends mirror the broad macro trends in the sectoral composition of the economy. Alternatively, it is observed that in the process of rural transformation, the manufacturing sector is poised to amplify its contribution to income and employment. Conversely, manufacturing is rarely found to be the main component of the rural non-farm economy. In comparison, however, service or construction activities gain importance. A widely accepted view in the development literature is that, in the course of development, the share of the farm sector in a country's GDP will decline as the economy grows, in what is known as a sectoral transition (Kuznets 1957; Chenery et al. 1975). However, considering rural areas, the link between economic growth and agricultural as well as rural non-farm sectors cannot be established a priori. The link becomes further problematized when the concept of rural development is expanded to consider the full range of rural income-generating activities (RIGA), including agricultural and non-agricultural livelihood strategies, that are carried out by rural households. This can lead to an understanding of the relationship between the various economic activities that take place in the rural space and of their implications for economic growth and poverty reduction in the economy. From the policy perspective, the challenge is to assess how the growth of the rural non-farm sector can best be harnessed to the advantage of poor rural households and to identify the mechanisms to best exploit synergies across farm and non-farm sectors. However, it would be misleading to say that the growth of rural non-farm sectors is isolated from farm activities. Both constitute parts of complex livelihood strategies adopted by rural households. High levels of income diversification are the norm among rural households. Rural non-farm activities are often countercyclical with agriculture and may serve as a consumption smoothing or risk mitigation mechanism. This is true particularly when the returns to these activities are not highly correlated with agricultural returns. The non-farm sector may absorb excess labour during agricultural off-peak periods (FAO 1998). Given the small-scale, informal and home-based nature of non-farm self-employment activities, they are often heralded as promising strategies to complement farming activities for rural poverty alleviation. Hence, rural farm and non-farm sectors are intrinsically linked to one another. The two develop in tandem, inducing transformation in the rural economy.

Following this, Chap. 4, contributed by Meenakshi Rajeev and Manojit Bhattacharjee, examines how the low level of farmers' income is a critical concern in India against the backdrop of which the current Union Government has emphasized doubling farmers' income by 2022. Because the plot size of small and marginal farmers, who constitute 80 per cent of farmers in India, is limited, reducing farmers' distress and doubling of farmers' income through the farm sector alone will be almost impossible. In this regard, Rajeev and Battacharjee argue that the non-farm sector can not only absorb excess labour from agriculture but also generate additional income for farm households. Further, the sector can help in mitigating risks to farmers and check migration to urban areas. Using the unit record data of the India Human Development Survey, a statistical analysis (Tobit regression) is carried out to understand the determinants of income from non-farm activities. The chapter discusses the fact that households that would be eligible for larger loans (for any purpose including agriculture) or insurance from financial institutions and have access to information and networks are the ones that could earn higher non-farm income. Because credit for non-farm activities per se is rather limited, the authors infer that a higher level of credit for even farm activities can help the non-farm sector as well, possibly through production linkages.

The state plays an imperative role in transforming rural economies by implementing public works programmes. Although public works may not be an appropriate social welfare intervention, the last decade has witnessed a proliferation of labour-intensive public works programmes across sub-Saharan Africa. Through a field-based study on the implementation of the Productive Social Action Programme (PASP) in Inhambane, Mozambique, Ruth Castel-Branco in Chap. 5 shows that public works programmes promise to provide income security for able-bodied adults, promote economic activity through increased consumption, strengthen physical infrastructure and provide the poor with the skills necessary to 'graduate' out of poverty and, therefore, out of the programmes. Castel-Branco argues that public distribution programmes certainly do not indicate a new radical politics of redistribution. These programmes should not be treated as a mechanism of redistribution, particularly in the context of the current crisis of wage labour. Further, this chapter shows that public works programmes have taken different forms, as their premises and objectives have shifted in response to class politics. Transforming the PASP into an entitlement-based employment guarantee, however, requires delinking the provision of social welfare from participation in public works.

While Chap. 3 shows how development corporation projects play a role in transforming economies, Claudia Levy in Chap. 6 reflects on how such projects could better understand complex social realities. This chapter is based on a livelihood analysis in two villages in a remote area of Mozambique using a multi-method approach that drew on a set of interview categories for an integrated lifeworld–livelihoods–assets perspective which comprehends livelihoods in terms of income activities and the assets required for these activities and for symbolic reproduction. Levy in this chapter highlights how productive choices are related to adaptive capabilities. The situation analysis through critical dialogue with farmers facilitates reflection and co-construction. It was unveiled that the re-organization of social space, as households moved from scattered homesteads to form settlements, exerts additional pressure on already scarce natural resource–based livelihoods. This process disrupted a normative base substantiating the way in which resource use is governed. As a result, actual livelihood strategies and response mechanisms lead to diversification. Since investments are made without a long-term perspective, this further increases pressure on the resource base, reducing future opportunities in a downward spiral of continuously decreasing assets. By showing the failure of institutions in the mediation of smallholders' adaptive capabilities, the livelihood assessment in two villages, Mabomo and Mungaze, shows the complex underlying structure of present-day social vulnerability, linking the macro context to the actual situation. Thus, Levy argues that development corporation projects could be designed better to assist people in breaking away from their state of 'subordination', which has been shaped by historical processes, weak institutions and food insecurity. The chapter reveals the intricate environmental and socio-political conditions underlying local livelihoods.

## Urbanization and Sustainable Livelihood

Based on aspects of rural transformation, it is pertinent to ask whether or not the livelihood opportunities which have emerged in urban areas, including not only metropolitan areas but also urban agglomerations, smaller towns and cities, are sustainable. This section begins with a chapter written by Cheng Li which attempts to provide different understandings of rural labour mobility. Li explains that the sudden increase of wage levels does not stem from the exhaustion of an unlimited supply of surplus labour. Li argues that because the income of agricultural producers (or rural labourers) has reached the same level as that of migrant workers, a favourable bargaining position is attained for migrant workers to negotiate with industry collectively. The author uses the concept of labour surplus economy within a Lewis economic dualism as an analytical tool for development economics. He thereby refers to a huge rural labour force in excess of the urban absorption capacities under a certain level of industrial development and the allocation process of the so-called 'surplus' labour force from agriculture to industry/service. Li focuses on four theories, namely, Lewis' Dual Sector Model, Ranis-Fei's Labour Surplus Model, Jorgensen's Agricultural Surplus Model and Harris-Todaro's Dual Economic Model to understand the dichotomy of rural–urban migration. By recognizing the persistent segmentations of the labour market, Li emphasizes a trichotomy leading to a Tripartite Labour Supply Model that has emerged to investigate labour supply functions within an exclusive labour market. As a new approach, together with analyses of the four aforementioned theories and an empirical case study on China, Li has reviewed rural labour mobility from a heterodox perspective. By highlighting the significant influence of rural income, this chapter tries to provide new understandings of the labour surplus economy, explaining that the observed sudden wage increase does not stem from an exhaustion of the labour surplus; instead, it emerges because rural income has reached the same level as that of migrant workers, which provides favourable bargaining positions to negotiate with industry.

In Chap. 8, Hemantika Basu discusses how, in the process of urbanization, land alienation and the process of dispossession are linked with rural–urban transformations based on consumerism in the context of an indigenous community of a city in eastern India, namely, Siliguri. Basu argues that labour undergoes a transformation as reflected in the change of the labour process—from labour power under the control of producers to local and even global capitalism, labour which goes from being permanent and subsistent to being temporary and subservient. The analysis shows that the indigenous landholders of the region, the Rajbansis, are being alienated from their ancestral lands, taking up casual wage employment in an informal economy in urban areas. The process of alienation is brought about, either through consent or by coercion, in the name of urban development under various political and economic compulsions. Land loss is accompanied by impoverishment, shifts in livelihood, and gradual or sudden occupational transformations among peoples who historically have depended on their land and land-based livelihood. Basu further stresses that labour property and labour processes are undergoing change due to forcible land alienation. Previously, owner-cultivators on their own lands took pride in the ownership of their labour power. Basu interestingly discusses that, because of the socio-economic and political circumstances that led to land alienation since the middle of the twentieth century, the present generations are bereft of not only land ownership but also control over their own labour power, earning a meagre livelihood in casual wage work in informal service sectors such as construction, petty trading and domestic work, setting in motion a process of proletarianization of this indigenous community.

Christoph Dittrich in Chap. 9 shows the great potential of the street food sector for fostering sustainable development, in not only the ecological but also in the economic and social dimensions in the context of Hyderabad, India. The chapter shows that a highly decentralized food distribution system provides affordable, nutritious and culturally accepted food items tailored especially to the needs of poorer urban dwellers. It operates on the basis of resource efficiency, low waste output and low greenhouse gas emissions. Street food also provides a flexible yet profitable source of income, especially for those who do not fit into the formal economy. To unleash its potential for sustainable development and integrate the street food sector into city modernization programmes, several challenges concerning modes of street food governance and food safety must be met. Dittrich shows that despite the new regulatory framework, namely, the Street Vendors Act 2014, the street vending sector remains largely marginalized. The chapter concludes by emphasizing effective street food governance and proper capacity-building measures which can promote the high potential inherent in the street food system to develop capabilities and reduce vulnerabilities.

## Innovations and Instruments in Transformation

Innovations and instruments in existing as well as emerging institutions play an important role in the transformation process. Linkages between rural and urban livelihoods and transformation are established whenever the value added by primary and secondary economic activities are created in the production system at local, regional, national or even international levels. The predominance of 'centrifugal' economic and social forces will not drive and sustain broad-based development. The use and accumulation of value addition is certainly shaped by institutional arrangements and capacities at local levels. There is long-standing interest in the creation of sector-specific local organizations vis-à-vis multi-purpose local organizations. Usually in any rural area there exists a considerable variety of local institutions—local government bodies, civil society organizations, private sector entities and others. These institutions may play effective roles in creating institutions for sustainable livelihoods at the local level.

Organizations often underperform owing to a lack of internal democracy and inclusiveness, a concern of development agencies. In the last section, we will discuss the issues and challenges regarding the efficacy and breadth of participation in membership and in institutions' operations, along with issues of accountability and equity of benefits. An overarching concern is how agencies can contribute most effectively to the sustainability and institutionalization of local capacities as well as to their effectiveness to enhance and maintain rural livelihoods. At the macro level, institutions are deemed to play an important role. Neoclassical theories of comparative advantage are challenged on the ground of differences in institutional advantage (Hall and Soskice 2001). For instance, the Global North is found to be successful based more on their institutional infrastructure for supporting productivity activity and for engaging in trade than on their factor endowments. On the other hand, enervated institutions in the Global South are the factor responsible for weak performance in terms of comparative advantage in trade. In the absence of appropriate institutional capacities, the contribution of the agricultural sector to the economy declines, leading to a precipitous collapse of output and incomes. The chapters in this section highlight the role played by innovations and instruments in creating institutions for sustainable livelihoods such as microcredit and microfinance, collectivization and trade unionism.

Christoph Scherrer in Chap. 10 provides an overview and assessment of major initiatives to improve working conditions throughout global production networks. The chapter starts with an economic justification of international workers' rights, arguing that developing countries are limited in their ability to raise labour standards on their own. This competitive situation, however, is the very reason why labour rights must be negotiated internationally. The chapter assesses the following instruments—labour chapters in bilateral trade agreements, social conditionality of public procurement, voluntarily adopted codes of conduct, global framework agreements between global union federations and transnational corporations, combinations of labour-driven and consumer-driven mechanisms for the protection of workers such as the Accord for Fire and Building Safety in Bangladesh, and the United Nations Guiding Principles on Business and Human Rights which asks companies to practice due diligence in handling human rights risks in their own responsibility, going beyond the respect of national laws. Scherrer concludes that, so far, none of the many initiatives seem to be particularly effective. Trade remains the most promising condition. However, the author argues that if only a rather weak social conditionality in a trade agreement is politically achievable, it risks justifying trade liberalization measures and the strengthening of investors' rights, which will undercut the bargaining strength of labour. It is therefore not sufficient to discuss specific instruments for the promotion of labour rights along value chains. Scherrer stresses addressing the general governance of international trade.

In Chap. 11, Christa Wichterich discusses microcredits at the intersection of four power regimes: the international financial system, development aid, policies of nation-states and local and household systems of social reproduction and production. She argues that gender, class, caste, race and post-colonial North–South relations as social categories of inequality are cut across these power regimes. Microcredits are a gendered instrument for inclusion in the financial system based on the narrative of a high female repayment morale. Development aid adopts the Grameen Bank model and links lending to productive investment and income-generating activities, mainly in non-agricultural sectors. Thus microcredits facilitate a restructuring of rural economies from a subsistence to a market orientation and imply a financialization of everyday life and social reproduction in villages. However, Wichterich shows that, owing to interest rates of 35 per cent, mostly consumptive investment and multiple loans, many women found themselves caught in a spiral of debt. The chapter shows that in 2010, after a period of fast expansion, overheating and oversupply, the microcredit industry crashed in the Indian state of Andhra Pradesh. Highly indebted women stopped repayment, with some even committing suicide. The chapter emphasizes the paradox and ambivalent effects of microcredit on poverty reduction and women's empowerment and discusses it as a vehicle for leaving poverty management, using a neoliberal approach, to the poor themselves and easing the responsibilities of the nation-state and development aid.

In Chap. 12, Thomas Greven highlights the power resources theory of labour, which is currently a popular instrument for the analysis of workers' organizing efforts in developed economies with formalized labour markets. He poses questions about the structural, organizational, institutional and societal power resources of labour and argues that his approach can be applied to the analysis of organizing efforts in economies with high levels of informal employment as well. Using the example of the informal economy in Senegal and specifically the organizing experience of the Confédération Générale des Travailleurs de l'Économie Informelle au Sénégal (CGTIS), Greven discusses the possibilities and limits of the power resources theory of labour for the analysis of informal economies and workers. Apart from traditional dependent workers, the Senegalese informal economy is characterized by small businesses and self-employed workers, often acting as employers. The chapter shows that these diverse actors are able to articulate mutual interests in an effort to establish institutional protections for labour, specifically in the field of social protection. At the same time, the fact that they have organized themselves into joint organizations despite the diversity of their economic interests as business owners, employers and dependent employees cannot be captured by the power resources theory of labour. Further, Greven finds that Gramsci's theory of hegemony, which highlights the role of identity in the formation of interests, makes it possible to understand that self-organization in the Senegalese informal economy at this time follows identity much more than class, because the diverse actors, regardless of their actual role, perceive themselves as underprivileged and underrepresented 'workers'.

Based on both theoretical and empirical studies from Asia and Africa, this book presents a series of chapters on the concepts and issues of work, the role of institutions and sustainable livelihood. The approach of all the chapters is research-led. Each of the individual contributions addresses the issues and challenges arising in the transformation of rural economies, urbanization, livelihood and sustainability and assesses how it can contribute to the policy level.

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# Part I

## Rural Economy and Its Transformation

# 2

# Rural Transformation and Indigenous Peoples in India

Virginius Xaxa

Indigenous/tribal peoples in India number at 104 million as per the 2011 census and form 8.6 per cent of the total population of the country, and, like indigenous peoples in other parts of the world, they are among the poorest and most marginalized sections of the population. Further, not only are they disproportionately represent among the poorest and most illiterate and vulnerable, they also suffer disproportionately from loss of their land, forest and other resources. This chapter tells the story of how indigenous/tribal peoples in India have gone through this process of transition since their early encounters with colonial rule and administration on the one hand and people from the outside on the other to the present times. It is a story of what happens to minority peoples when they are incorporated into a modern state and market without any effective

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I have used materials in this paper extensively from my earlier article entitled 'Labour Market and Adivasis: an Overview', which was published in a volume edited by Kailash Sarap titled *Adivasis in India: Resources, Livelihoods and Institutions*. Delhi: Bloomsbury India (2016).

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protective measures. This being the context, the focus in this paper is invariably on tribes/indigenous peoples of peninsular India.

## Pre-colonial Economy and Aspects of Change

Indigenous/tribal peoples have been conceptually conceived as a society marked off from others based on modes of livelihood and living, which have generally been described as primitive. Such modes of livelihood have been dependent predominantly on resources given by nature and have assumed such forms as hunting, food-gathering, slash and burn cultivation, settled cultivation and so on. It is thus difficult to conceive of indigenous/tribal peoples outside of land and forest. However, the extent to which they depend on one or the other varies. Some are exclusively dependent on forest and make their living from it as hunters and food gatherers, others depend on land as peasant cultivators without relying on forest resources. However, at the time of the advent of colonial rulers, many were dependent on both land and forest and made their living primarily either as shifting cultivators or settled cultivators, drawing on forest resources for their livelihood and living.

Tribes traditionally made their living from more than one mode of livelihood, though one invariably dominated. However, even when there was more than one mode of livelihood, there was no division of labour among the people in different kinds of work or activity. Different modes of livelihood gave way to differential modes of resource control. Among tribes that were mobile there was generally no permanent sense of control over resources except for a sense of territory that belonged to them. Among tribes that had settled, a sense of permanent control of resources existed which assumed varying forms such as ownership in the form of a village community, lineage or family (extended or nuclear). Even when ownership was vested in a community or lineage, the family was generally the effective unit of production, distribution and consumption. The size and quality of land a family operated varied and gave rise to inequalities with respect to farm size and production in the community or lineage. However, social differentiation in the form of landlord, capitalist farmer, tenant or landless worker was generally absent. Differential farm sizes gave rise to additional demand for labour, which often led to the hiring of attached labour from families with small or uneconomic landholdings. During the peak agricultural season, most such families depended on reciprocal exchange of family labour or community labour.

As tribes transitioned from shifting cultivation to settled cultivation, they produced a typical pattern of village system, which was centred on either a lineage derived from a single founder or non-lineage, in which case a number of individuals belonging to different lineages set up the village. Village community grew out of attracting more members to the settlement, initiated by the founding member/members. Ownership of the land so reclaimed was either vested in lineage or community. There were no records of such rights of ownership at the advent of British rule, as tribal society was marked by the absence of the abilities to read and write. Tribes underwent little change in their social structure until the coming of the British and the village continued to be the effective unit of their economic, political and social structure. However, some regions did undergo change with respect to their relation with the larger world. At the time of the arrival of the British, tribes in some regions got drawn into a principality/kingdom which emerged in the vicinity and accepted its suzerainty (Sinha 1987). In such cases, tribes even paid the kingdom some dues which were later converted into rent or revenue under the influence of the Hindu ideas of kingship. Thereafter, the chiefs/kings of the principalities/kingdoms also exercised control over the village's cultivable land and settled rents. At the same time, they created a class of intermediaries in the form of *jagirdars* or *ticcadars* who were brought from outside and were given villages or groups of villages as *jagirs*. Subsequently, these came to be farmed out to so-called lower intermediaries, who squeezed out indigenous/tribal peasants as much as they could and even dispossessed them from their ancestral land whenever they encountered a reluctance to pay rent or render labour services. Thus, although the process of granting jagir (land grant) had begun with the arrival of the Hindu chiefs or Hinduization of native chiefs since the seventeenth century, the dispossession process began from the last quarter of the eighteenth century and hastened with the onset of British rule (Singh 2002).

## Colonial Administration and Processes of Dispossession

Tribes came under British rule through war, conquest and annexation. Once under British rule, they were brought under a single and uniform civil law and administration that was alien to tribal customs and traditions. This was also the case with the land and revenue settlements which the British introduced at different phases in different parts of the country. The settlements introduced the system of private property. In the case of the permanent *zamindari* (landlord) settlement, ownership was conferred to the erstwhile intermediaries (revenue collectors) between state and cultivators, introducing the notion of landlordism in tribal areas. By this process, the erstwhile owner-cultivators were turned into tenants of landlords. This had far-reaching consequence on tribes. Tribes as cultivators were not as advanced as caste peasants. Hence, landlords began to replace tribal peasants with caste peasants with a view to augmenting revenue, thereby completely dispossessing tribes from their lands and turning them into landless labourers. The British also introduced records of rights in tribal areas. Needless to say, this too had unprecedented consequences for tribal society. As noted earlier, tribes had no tradition of reading and writing, which meant that they had no tradition of record keeping. The non-tribes which had moved into tribal areas took advantage of this lacuna and created documents in their support. This was done through fraud, deceit and coercion. This turned out to be one of the important ways in which land passed from tribals to non-tribals. The incorporation of tribal regions under colonial rule led to their linkage with the wider world through a uniform legal and administrative structure on the one hand and extension of roads, railways and other means of communication on the other. The extension of roads and railways led to an influx of people from outside, not only to run the expanding colonial administration but also for trade and commerce. There was movement of land-hungry peasants from the plains into tribal areas in search of land for cultivation. It is important to note that indigenous/tribal inhabited regions were less densely populated, and there was much waste and forest land. The three factors—colonial rule and administration, extension of road and railways, and traders, moneylenders and land-hungry peasants—opened up the space for land, labour and credit market. Land became a commodity to be bought and sold. The advancing of credit against a mortgage on land became a major mechanism through which the bulk of tribal land moved from tribals to non-tribals. It is interesting to note that non-tribals did not reclaim waste and forest land but targeted land that was already reclaimed and was under cultivation.

Social differentiation in tribal society in the form of landless, tenant, agricultural labour and so forth who worked mostly on the land of outsiders emerged with the practice of privatization of land and maintenance of records of land rights. This development also led to a steady decline in tribal family farm sizes. Social differentiation in relational forms invariably assumed an ethnic form, meaning tribals versus non-tribals. Despite such developments, a large majority of the tribal population was dependent on their farmland for livelihood. The farmland, however, was not adequate to sustain a growing family size throughout the year. Further, agriculture in tribal regions was often prone to famine and drought. While land was passing from tribes to non-tribes, the unrestricted access they traditionally had to forest and forest resources was also adversely affected. The colonial state vested in itself the rights over the vast forests and their existing management. This restricted livelihood opportunities, especially of shifting cultivators and food gatherers, by denying them the right to gather fuel and other daily necessities of life for which they were so heavily dependent on forests. Needless to say, these confined indigenous people/tribes to lands alone, which themselves were passing from tribals to non-tribals on an unprecedented scale. The drought and famine that occurred at regular intervals in the nineteenth century in the region further accentuated the process of land alienation and made the lives of indigenous peoples even more precarious.

The process of land alienation and proletarianization, hitherto unheard of, became rampant under colonial rule, leading to a series of revolts and rebellion throughout the colonial period but most importantly in the early phase of British rule. The early revolts were the revolt of Pahariya Sirdars (1778), the Tamar revolt (1789, 1794–5), tribal revolts (1807–8) and agrarian tribal revolts (1811, 1817, 1820). However, it is the revolts that took place after the Great Kol Insurrection of 1831–2 that received widespread attention. Prominent among these revolts are the Bhumij revolt (1832–3), the Santhal rebellion (1855–7), the Kherwar/Sardari movement (1858–95), the Birsa Munda movement (1895–1990) and so on (Raghavaiah 1979; Bosu Mullick 1993). All these revolts/rebellions in fact had their main roots in the tribes' grievances against loss of their land. The grievances, however, did not take the form of a land- or forest-based movement, as the issues were intricately connected with the overall destabilization of society brought about by colonial rule and an alien administration. Since those who usurped tribal lands were outsiders, including British administrators, the movement took the form of a revolt against British rule and aliens, especially landlords, moneylenders and traders. Discontent during the period was directed at the whole system of rule and administration, which besides bringing the tribes under the rule of an alien authority, caused a kind of havoc in their lives that they had never before experienced.

Rapid proletarianization opened up space for a labour market in tribal societies. Tribes thrown off their land were employed either as wage earners in lands owned by landlords (resident or absentee) or in establishments run by traders and moneylenders. Many even worked as what is known as beggars, namely, as labourers without receiving wages. The proletarianized labour force in tribal society found a ready market for its labour in newly emerging enterprises. However, as new enterprises continued to expand, the continual demand for labour could not be met by proletarianized labour alone. The gap was filled by those who were self-employed in their farms. In fact, the large labour force that came to run mines and plantations came from this segment of the tribal population. This is not to suggest that self-employed tribal peasants left their farms and joined new ventures to make up the labour force. What happened is that some members of families moved out to work as labourers in the new enterprises, whereas others stayed back to run the family farm. In due course of time, the tribal labour force came to be a mainstay of the new economy. This is how the working class emerged in tribal society. This new phenomenon, however, had no impact on existing social relations. There was no social distance between workers (mines and plantations) and self-cultivating peasants.

This provided the context in which the phenomenon of working outside the home for one's livelihood emerged among tribes in the tribal region. The phenomenon of working outside the home gradually turned into working outside the village, the neighbourhood and even the region. This happened with the expansion of colonial administration and, more importantly, the colonial economy. The major source of revenue under colonial rule was revenue from the land. Hence landlords and others were encouraged to reclaim forest land for whch they invariably hired tribes, employed them as tenants and then drove them out in favour of more enterprising peasants who were prepared to pay a higher rate of rent. In fact, the spread of indigenous peoples such as the Santhals, Oraons and Mundas from their ancestral territory/homeland of Santhal Pargana and Chotanapur to other parts of Bengal and Bihar was a part of this process of land reclamation undertaken either for the colonial state, for instance in Andaman and Nocobar Islands or for the zamindars/landlords, as in Bengal and Bihar, or for themselves (Rothermund 1977; Sen 1979). To a limited extent, this process continued in the post-independence era till the 1960s. The phenomenon of seasonal migration from the region began in the 1970s. The migration occurs mainly in winter for work either in agriculture or brick kilns or road repair and construction in border and hill regions.

The emergence of the plantation economy in the British colonies as a part of the worldwide expansion of the capitalistic economy had already drawn tribal regions of eastern India into their orbit. Labour had already begun to be recruited from the region for work in plantations in the West Indies and Mauritius. It is the emergence of the plantation economy within India in the middle of the nineteenth century that changed the route of the movement of the population from the region. Assam and, later, northern parts of Bengal became fertile grounds for the growth and expansion of the tea plantation industry in India. From the very beginning, the tea industry faced acute labour shortages. The population in the region was not only small but also unwilling to work. There were two reasons for this. First, the area to be transformed into tea plantations was covered with dense forest, which needed to be cleared. Second, the wages being offered were low and did not provide sufficient incentives to accept them. In fact, wages in the plantation industry were lower than the going rate in neighbouring non-plantation areas. Thus, the tribal population from eastern India provided the main labour force for the plantation estates in Assam and Bengal throughout the colonial period. Even today this population makes up the settled immigrant community. Both men and women, in families or as individuals, were recruited as labourers. They lived under an indentured and semi-indentured system and were confined to an estate and under constant surveillance. They were paid low wages, worked and lived under inhuman conditions, and worked inordinately long hours. Violence was routine and normal (Bhowmik 1981; Guha 1977; Xaxa 1985). Some changes were introduced in post-independence India. Yet they are the lowest paid workers in the organized sector. Unemployment is high. Education and health, despite being part of the organized sector, are in deplorable states. Indeed, even women from this sector have begun to move to towns and cities in the region to work as domestic labourers.

The introduction and expansion of infrastructure such as roads and railways was another manner by which the colonial state augmented the demand for labour. Tribes provided labour in laying out the railway lines by providing unskilled manual labour as well as by cutting timber, which was used as plates for railway lines. Mineral extraction and exploitation too became an important sphere of economic activity during the colonial period, and the tribal population provided the mainstay of the labour force for such activities (Xaxa 2016).

## Post-independence Scenario

The Indian state aimed to address the problems faced by tribals in the post-independence era. The measures introduced by the state were broadly of three types. One of the measures aimed at protection, as was the case under colonial rule. The others were to integrate them into the state through provisions of reservation in parliaments, state legislatures, educational institutions and state employment. The third measure aimed at promoting the tribes' economic and social development through state-led programmes and schemes. Tribes' rights over land came under protective measures. The Fifth and Sixth Schedules of the Constitution allowed for this provision. However, there were some departures. Whereas in the case of the Sixth Schedule a law passed by parliament or a state legislature was still not applicable, the process underwent changes in the case of Fifth Schedule areas. In the case of the latter, the law is now applicable unless the executive authority thinks that it is not in the interest of the tribes. The executive authorities have not exercised this authority; hence, all laws passed by parliament and state legislatures are applicable in Fifth Schedule areas. Needless to say, many such laws have been detrimental to tribal interests. The Fifth Schedule provisions stipulate implementing regulations for peace and good government. One of the key issues on which regulation is mandated concerns the prohibition or restriction of land transfers by or among members of the scheduled tribes in given areas. The other important issue concerns moneylending, which has been at the root of large-scale alienation of land in tribal areas. In line with this provision, safeguards have been provided for the prevention of the alienation of land from tribes to non-tribes in all states having scheduled areas in the form of laws. In fact, laws have been enacted in almost all states containing tribal populations. In some parts, such acts have been in existence since the British period. The Chotanagpur Tenancy Act of 1908 and the Santhal Pargana Tenancy Act of 1949 may be cited as examples. Notwithstanding such provisions and laws, the land has steadily passed from tribals to non-tribals. Dr. EAS Sarma who was commissioner for tribal welfare in the early 1980s in Andhra Pradesh, describes how most teachers in Fifth Schedule areas were non-tribals. Even the Girijan Cooperative Corporation, which traded in tribal produce, was mostly controlled by non-tribals who went to tribal villages, started lending money and engaged in land grabbing (CPR 2013: 14–15).

The constitution aims to protect and safeguard the interests of tribal peoples. In the post-independence period, legislation has been enacted not only to prevent the alienation of lands from tribal to non-tribal people but also to restoration such land. And yet land has been passing from tribal to non-tribal people through fraudulent transfers, forcible eviction, mortgages, leases and encroachments. The state has not been able to prevent this from happening. Nor have tribes been able to take advantage of the law. A lack of knowledge and resources to fight court battles is one of the main reasons. Equally important has been the absence of strong grass-roots organizations to prevent such occurrences. According to the information available at the Ministry of Rural Development in January 1999, 465,000 cases of alienation of tribal land covering an area of 917,000 acres have been registered in the states of Andhra Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan and Tripura. Of these, the states affected by large-scale tribal land alienation are Andhra Pradesh (279,000 acres), Madhya Pradesh (158,000 acres), Karnataka (130,000 acres) and Gujarat (116,000 acres) (Govt. of India, 2001: 39).

From the aforementioned points it may be inferred that there exists a conflict of interest between tribes and the dominant regional community members. The interest of the former has invariably been sacrificed for the benefit of the latter. All state governments and administrations are controlled and run by the dominant community. This is evident from the fact that in some states acts have even been amended with a view to protecting the interests of non-tribes. The Andhra Pradesh (Selected Areas) Land Transfer Regulation of 1959 was amended in 1970 in an attempt to accommodate the interest of non-tribes. The Kerala Scheduled Tribes (Regulation of Transfer of Land and Restoration of Alienated Land) Act of 1975 has even been repealed to allow for a concession to non-tribes. There are many reasons behind the ineffective use of power by tribes. To begin with, tribes were given rights without any corresponding power to enforce them. The enforcement of such laws was delayed mainly owing to the lack of will on the part of enforcement agencies. Both the executive and judicial authorities were indifferent and insensitive to the rights of the tribal people. On the other hand, tribes themselves had very little voice or representation in these institutions. They remained dependent on the benevolence and radical zeal of sympathetic officials. The rights so conferred have been withdrawn owing to pressures from non-tribal people. The legislatures that conferred such rights also took them away when those rights were found to be inconvenient. The Andhra Pradesh (Scheduled Areas) Land Transfer Regulation of 1959, amended in 1970, for example, aimed at preventing land transfers from tribal to non-tribal people. Any transfer of land under the regulation was to be considered null and void. However, this provision was withdrawn through a government notification in 1979, mainly due to pressure from non-tribal people. As per the notification under the regulation of 1959, all non-tribal people in occupation of lands in the scheduled areas, up to 5 acres of wetland or 10 acres of dry land, were to be exempted from eviction. Thus, in spite of the act of restoration in place since 1959, as much as 751,435.66 acres of land was still in the hands of non-tribals by 1995. Similarly, the Kerala Scheduled Tribe (Restriction on Transfer of Lands and Restoration of Alienated Lands) Act was included in the Ninth Schedule of the constitution for fear of being challenged by a court of law. Yet the act has not gone unchallenged. It has been repealed by the Kerala Restriction on Transfer by and Restoration of Lands to Scheduled Tribes Bill of 1999 and is awaiting assent by the president (Bijoy 1999; Rao 1996; Verma 1990).

As in the pre-independence period, tribes did resist such development, even post-independence. Broadly, this assumed the form of land restoration, forcible harvesting of crops (in lands that once belonged to tribals but were alienated from them by fraudulent means), repudiation of debts and the implementation of prescribed minimum wages. Such forms of struggle were directed against moneylenders and landlords and were widespread in parts of eastern and western India in the 1960s and 1970s. The land- and forest-based movement has been historically more widespread in eastern and central-cum-western India. In southern India such movements are a recent phenomenon.

While laws are in place to restrict the alienation of land from tribes to non-tribes, the same cannot be said of the loss of land by tribes arising out of development-related projects. This has its genesis in the colonial period. However, in the post-independence era of rapid economic and infrastructure development as part of the national reconstruction process, large-scale displacement of tribals has occurred. Displacement, in fact, turned out to be the most important factor for the loss of control over land and forest by the tribals in post-independence era. Displacement has occurred primarily as a result of large-scale projects like industrial, irrigation and hydraulic projects, mineral exploitation and so on. It is estimated that a total of 21.3 million people were displaced in the period 1951–90 in the states of Andhra Pradesh, Bihar, Gujarat, Maharashtra, Madhya Pradesh, Rajasthan and Orissa alone. Of this 8.54 million, that is, 40 per cent, are stated to be tribes. However, only 2.12 million (24.8 per cent) have resettled so far (GOI 2001). Tribes have gained little from these projects in terms of employment and benefits accruing from them. Only a few with an education, skills and expertise have been able to find regular and long-term employment. Most such jobs have gone to people from outside the tribal regions. Thus, a vast majority of tribes have been pushed into the vortex of increasing loss of assets, unemployment, debt bondage and destitution. Others, especially the unskilled and less educated, have been forced to move out of their home territory and region to seek employment elsewhere. Most of these have been absorbed into the informal sector at low wages and without any security whatsoever. They suffer from the loss of their citizenship rights, and while they may not be refugees, their status is no different from that of actual refugees; they have become marginalized citizens. Herein lies the conflict of interest between the tribes and national and regional development. For the greater cause of national development or the development of the state, tribes have been forced to sacrifice their interests (Xaxa 2016).

In more recent years, a new phenomenon has emerged, which has accelerated the process of land alienation in tribal areas. This has to do with the process of urbanization. In the last two decades, tribal regions have seen either growth of new towns or increasing expansion of existing towns. The reorganization of districts and the creation of new district headquarters have been among the reasons for the growth of towns in tribal areas, which has gotten a push owing to the expansion of the market economy as well. However, an overwhelming portion of the population living and working in those towns is made up of non-tribals. This is not to deny the presence of tribes, but their presence in towns is relatively small. Of course, overall there has been an increase in tribal populations living in towns. The tribal urban population as per the 2011 census is estimated at 11 million out of a total 104 million tribal population constituting 2.8 per cent of the total tribal population. The figure was 7 million out of 84 million, that is, 2.4 per cent, in 2001 (GOI 2011). The emergence of townships and the increasing presence of non-tribals in towns located in scheduled areas points to the transfer of land from tribes to non-tribes. The forms and mechanisms of such a process in a changing context still need to be explored. However, the role of government in the form of municipal development plans cannot be ruled out. In fact, by means such as these, government is encroaching on areas and land falling under the Panchayat Extension to Scheduled Areas Act of 1996.

These developments largely explain why the percentage of tribal cultivators has steadily declined from 68.15 per cent in 1961 to 54.5 per cent in 1991. Conversely, the percentage of agricultural labourers has increased from 19.71 per cent in 1961 to 32.69 per cent in 1991. Thus, more than 87 per cent of main tribal workers are dependent on agriculture. Equally important is that as much as 42.9 per cent of the operational holdings of the tribes belongs to the category of marginal farmers, which means that they hold less than 1 hectare. Another 24.1 per cent are small cultivators with a holding of 1–2 hectares. Only 2.2 per cent of households have holdings of more than 10 hectares. Such a scenario has far-reaching consequences for the livelihood of the tribal population (Thorat 2006).

One the one hand, development and infrastructure projects and, on the other hand, rapid urbanization in tribal areas have led to greater movement of outsiders in tribal areas/regions. They are moving in tribal areas to manage projects—industrial, mineral and infrastructure such as power and roads which have been accelerated since the introduction of new economic policies. There has also been a surge in trade, commerce and business in tribal areas, which has also attracted outsiders. At the same time, owing to increasing landlessness and uneconomic land holdings arising from displacement and land alienation, tribal populations have been moving out of their villages, areas and even regions in search of livelihood and employment elsewhere. Such movements have been going on for quite some time, but they were largely of short duration or what in the literature is referred to as seasonal migration. Now such migrations are of longer duration because landlessness and uneconomic holdings are increasing dramatically. Such movements of populations have been one of the factors leading to the decline of tribal populations in tribal areas of habitation.

Needless to say, such a demographic shift has implications for access to and participation in the institution of governance and politics by tribal communities. However, a problem has already begun to emerge. In the state of Chhattisgarh, five assembly seats have been de-reserved on grounds of a shift in the demographic profile. Similar views are being aired in other parts of tribal regions as well. The same is more intensely expressed at the local self-government level. Further, though the provisions of the Panchayat Act have been extended to Fifth Schedule areas, such provisions have not been extended to urban areas. However, as noted earlier, tribal areas have been witnessing large-scale urbanization in the last two decades in spite of state policy and programmes to ameliorate the conditions of tribal peoples in the post-independence era; poverty, illiteracy and malnutrition still loom large among tribal communities. This paradox has largely been due to development and infrastructure projects, which cause the removal of tribal peoples from their lands and attenuate access to other resources, which has worsened their condition. This is evident in the rise in the number of landless, agricultural labourers, marginal farmers and small farmers. While this has curtailed the scope of livelihood, new avenues of livelihood are not emerging, creating an acute problem of unemployment in tribal areas. This led to the migration of tribes from their places of residence to regions of the green revolution belts of Punjab, Haryana and Western Uttar Pradesh for work during the winter. The other direction of movement for work during this season is to brick kilns operating in neighbouring states.

The predominant form of employment among tribal people since the colonial period has generally been in agriculture, plantations, forests, brick kilns and so on. However, in the post-independence era, especially in the last two decades or so, there has been migration from rural to urban settings. Many new towns have sprung up in tribal regions owing to the emergence of modern industry and mining and other related enterprises. The fruits of these developments however did not go to the people of the region. Though this did open up some avenues of work, it was limited essentially to unskilled and semi-skilled work in industries and allied activities. Those who lost land owing to industries/mines were given jobs entailing unskilled and manual work, but once industries had become operational, they generally were replaced by more qualified and skilled workers, most of whom invariably came from outside the tribal regions. Many of the displaced workers were thus left to fend for themselves; the tribes were also denied participation in the governance of urban affairs.

The movement of women from Chotanagpur to cities for domestic work seems to go back to the late 1970s. The trend witnessed an unprecedented increase in the 1980s and even more in the 1990s. Mumbai, Kolkata and Delhi were the main destinations. Of the three, Delhi was the most attractive place. Today, about 100,000 tribal domestic workers are estimated to be working in Delhi alone. Some of the main districts from which tribals have migrated to Delhi are tribal populated regions in Jharkhand, Odisha and Chhattisgarh. There has been some migration from Jalpaiguri in West Bengal and Darrang in Assam. More than 90 per cent of the migrants are Christians. They belong to three major tribal communities of the region, Oraons, Mundas and Kharias. A study, 'Migrant Women Workers', by S. N. Ray (1982) for the Bihar Tribal Welfare Research Institute Ranchi analyses a sample survey of 14 blocks covering 546 families, spread over 72 villages of the districts of Ranchi, Palamau, Dhanbad and Giridih. The findings of the study suggest that the migration of domestic working girls was due to economic needs and a desire to seek better prospects in life. It was observed that these migrations were mainly from landless families, small farmers and labourers. Another reason that finds a brief mention in the report is that girls were interested in seeing the new world.

Developments in tribal regions have invariably prompted the migration of people from outside since the colonial period which pushed tribes out of whatever labour market, formal or informal, was available in the regions. At the same time, it is important to note that towns in tribal regions have generally been small and medium-sized and hence have failed to create a volume of work and demand which could absorb wider and more diverse segments of the population. Thus, within those regions, the movement of tribals from rural to urban areas has remained restricted. That explains why the tribal urban populations within the regions remain so low, even though there has been a rapid rise of urban centres in the regions.

The creation of new districts and administrative arrangements in tribal regions in recent years has also contributed to the growth of towns in tribal regions in recent years. At the same time, the push of the market arising since the economic reform of 1991 has given rise to a surge in new economic activities. This has led to a shift of the tribal population from rural to urban settings. In 1971, only 1 million out of a total population of 38 million were listed as urban residents. In 1981, this figure was 3 million out of 52 million. Since 2001, however, there has been a phenomenal increase in tribal urban populations. They numbered 7 million out of 84 million (2.4 per cent) in 2001, but that figure went to 11 million out 104 million (2.8 per cent) in 2011. The figure was 2.0 and 2.3 per cent in 1981 and 1991, respectively (GOI 2011).

There has also been a steady migration of tribals from rural to urban settings outside tribal regions. Such movement, to begin with, was more in the nature of a search for white-collar employment because of the expansion of educational opportunities and the policy of reservation for tribes in government and semi-government services. The movement of tribes into metropolitan areas has largely been confined to those with higher education. It is the provision of reservation in employment in government and semi-government institutions that largely made this move possible. And yet the share of tribes at various levels of employment despite the provision of reservation falls short of the size of the population. The gap between the share of the total tribal population and the actual share in government services has been either due to a lack of available qualified personnel or discrimination against tribals. Following this movement, there has also been movement of tribals to urban centres for work as unskilled/semi-skilled workers in industries and allied activities outside the region.

A historical overview of the labour market and tribes shows that they have been mainly absorbed in agriculture and agriculture-related activities in forests, plantations, quarries, mines and so forth. These were spheres of work for which the non-tribal labour force either had no skills or did not exist. Wages in such employment were poor and living and working conditions deplorable. Today, work related to such activities is scarce, which has led to acute problems in connection with employment and livelihood in tribal areas. Hence, today there has been an unprecedented migration of tribes, especially of youth, to cities in search of employment. In spheres of work where both tribes and non-tribes were/are available, preference has generally been shown to non-tribes, indicating labour discrimination against tribals. This was partly addressed by the policy and provision of reservation. However, despite reservation, discrimination has not been eliminated. This explains the relatively higher presence of tribes in state employment. Yet, even here the proportion of tribes falls far short of their share of the general population. This has been the case not only at higher levels of employment but even at lower levels of employment where skills and qualifications are generally present. Such a scenario is worse in states compared to the national level since prejudice and discrimination against tribes are intense at the state compared with the national level. The share of tribes in the non-state organized sector is almost invisible. Their presence in the unorganized sector is, however, significant.

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# 3

# Ghana's Gold Boom and Multinational Corporations: Resource Nationalism or Countervailing Force?

Patrick K. Agbesinyale

## Ghana's Economy and Mining

Ghana is one of the mineral-rich developing countries in sub-Saharan Africa and its mineral resources make up a sizeable share of the national economy. The country has substantial mineral resources, including gold, diamonds, bauxite, manganese, iron ore and, recently, oil and gas. However, gold dominates the mining subsector. Prior to its independence in 1957, Ghana's mining sector was controlled by European metropolitan capital. This was to change after independence under the Nkrumah-led Convention People's Party (CPP) government. Within the context of its 'scientific socialism' and 'work and happiness' ideology, the CPP government nationalized almost all mines under the State Gold Mining Corporation (SGMC), a state entity charged with managing and appropriating the country's mineral resources. This was part of a broad strategy within the political ideology of state capitalism. Subsequent military-led

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regimes (1972–79), by the same token, upheld the belief that the country's mineral resources constituted strategic national assets that ought to be vested in the state as part of the policy of consigning the 'commanding heights of the national economy into the hands of Ghanaians' (Agbesinyale 2003).

By the early 1970s, Ghana's economy had suffered a severe setback, resulting in the near collapse of the mining industry, with mineral output and revenue dipping substantially. By 1983, the decrepit state of the economy compelled the government to opt for a World Bank/International Monetary Fund (IMF)-inspired Structural Adjustment Programme (SAP). The SAP meant a major paradigm shift towards neo-liberalism, where private capital and private-sector participation in the national economy was deemed both critical and paramount to the country's economic recovery, growth and sustainability. Generally, SAPs not only liquidate centralized state-ownership systems seen as antiquated but set the stage for substantial foreign direct investment (FDI) inflows to the domestic economy. The Minerals and Mining Law of 1986 (PNDC Law 153), enacted at the behest of the World Bank/IMF as part of the mining-sector reforms, was touted as a significant legislative framework specific to mining that had revolutionized Ghana's mining sector, providing the impetus and catalysis for FDI and the influx of multinational mining companies in search of gold. Contained in the new mining law are very generous terms and proviso to mining companies, including low taxes and royalty payments, import duty waivers on equipment, high retention of revenue and repatriation of profits (Agbesinyale 2003; Akabzaa and Darimani 2001; Aryee 2001; Tsikata 1997), among others.

As all minerals 'in their natural state' are the property of the state, as reaffirmed in the 1992 Constitution, the government had the power to award concessions of land for mining purposes to foreign investors (Anyidoho and Crawford 2014). Between 1985 and 2000, the government had not only sold out almost all the state-owned mines with their usually extensive mineral (land) concessions, it had also, through the Minerals Commission, granted licenses to over 270 mining companies of various sizes to either prospect for or mine gold (Akabzaa and Darimani 2001). Several were multinational corporations (MNCs) from South Africa, the USA, Canada, Australia, UK and other countries.

Some of them had won extensive mining concessions, which provided for the appropriation of large expanses of countryside lands for large-scale surface mining. In the last three decades, the mining sector, particularly, the gold subsector, may have attracted FDI to the tune of over US$10 billion, with MNC-led gold production in Ghana increasing substantially. MNC-led mining has been a major source of revenue for Ghana, accounting for between 3 and 5 per cent of gross domestic product (Agbesinyale and Inkoom 2012). It is also a major foreign exchange earner. Mineral royalties and corporate taxes continue to boost domestic revenue. According to the Ghana Chamber of Mines (2012), the mining sector maintained its position as the leading contributor to Ghana's revenue collections, accounting for approximately GH¢1 billion in revenue collections, representing 27.61 per cent of total Ghana Revenue Authority collections in 2011. The industry also paid GH¢645 million in corporate tax, representing 38.26 per cent of the total company tax collected in 2011, while contributing about 40 per cent of gross merchandise export earnings. Gold has generated mining-related employment accounting for 2.5 per cent of the formal sector employment in Ghana. Other contributions to the national economy include salaries and wages of mine employees, social security contributions, rents, dividends, custom and excise duties and utility fees. Gold mining has also bestowed other benefits, including the provision of social and economic infrastructure, while stimulating a measure of local economic growth in host areas. Also, the presence of some of the world's largest mining MNCs in the country may have created impulses and agglomeration effects that attract further FDI into allied or separate sectors, including mine support services, oil and gas, energy, telecommunications, agriculture, banking and financial services, commerce, tourism and hospitality, among others.

## The Mining Industry's Downsides

Despite the benefits accrued from mining, as discussed earlier, there have been major concerns with the MNC-led gold boom. Gold mining has remained an enclave industry hardly contributing to the desired structural transformation of the national economy. Ghana's share of revenue from mining remains abysmally low. According to UNCTAD (2005), Ghana earned only about 5 per cent of the total value of mineral exports annually, compared to over US$1 billion in mineral revenues repatriated by the mining companies. Rising gold prices in recent years have handed the mining companies a windfall, yet this has hardly trickled down. Being largely FDI-driven, the mining sector suffers from massive capital flight; up to 85 per cent of mineral revenue is held in offshore banks by the companies. In addition, the overly generous incentives extended to the mining companies, such as corporate and import tax waivers, amount to losses to the government of over US$100 million annually in waived taxes (Agbesinyale 2009). At the community level, land alienation and loss of primary livelihood assets such as arable lands and farms, forests, pasture fields, water bodies and game and fish stocks have not only impoverished host communities but have remained major sources of conflict. Communities have also suffered marginalization and exclusion through what is seen as state–MNC complicity in the annexation of their resources and disruption of their livelihoods. Surface mining has left a trail of environmental degradation and pollution across mining areas, often with adverse downstream consequences. Other harms suffered by mining communities include mining-related health problems, human rights abuses perpetrated by the mining companies and violent conflicts.

Competition for natural resources between the mining companies and their host communities has been one major source of antagonism, conflict and the deep-seated adversarial relations between the two. Relations have thrived on suspicion, mistrust, antagonism, adversarialism, intimidation, conflicts and open hostilities in some cases. Mining companies have won concessions in large tracts of land from the government in ways that alienate local communities by not taking the latter's consent and making such communities tenants on their own lands. Communities have felt utterly excluded and marginalized. They have also felt coerced and subjugated by the companies with state complicity, leading to tensions and hostilities between the two. In the past, the companies preferred to deal directly with the government through the Mineral Commission, that is, in accordance with the law, rather than the host communities, even on matters that impinge directly on the welfare and interests of these communities. Local communities felt not duly recognized as legitimate parties and stakeholders to mining concessions. Transactions and the award of concessions were exclusive to the government and the mining companies, begging the question of openness and transparency. Local communities perceived this as an affront to their traditional rights of ownership, compelling them to fight back. The result has been widespread protests, conflicts, open hostilities and insecurity in most mining communities. Constructive engagements and dialogue with local communities over critical issues such as land alienation, alternative livelihoods, compensation payments, small-scale mining, environmental degradation and pollution, community development, employment and participation, which are of principal concern to host communities, have in the past been very low.

In several instances, communities obtained redress for their grievances only through incessant protests and sometimes violent actions, which elicited ruthless police-military responses, a phenomenon that was gradually transforming some of Ghana's mines into mini-military garrisons. Recent such violent occurrences were seen in the Obuasi mine owned by AngloGold Ashanti, Perseus mine at Ayanfuri, Golden Star Resources mine at Prestea and Adamus mine at Nkroful/Teleku-Bokazo. Communities have had to contend with what is perceived as the tyranny of the mining companies. Given their rather huge corporate, financial and political clout, mining MNCs in poor countries have the tendency to coerce their host communities and violate their rights, including the rights to resources, decent livelihoods and to a clean environment, among others. A study carried out by Ghana's Commission on Human Rights and Administrative Justice (CHRAJ) in selected mining communities in Ghana in 2007 detailed a litany of human rights violations perpetrated by some mining companies on their host communities.

Mining communities in Ghana are mostly rural with extremely weak capacities that can hardly withstand the might of mining MNCs—a clear case of a 'David versus Goliath' power imbalance. In addition, in an age of globalization, contesting a mining company in a poor but mineral-rich country like Ghana is a contest against global capital and its confederates. According to Bush (2009), cited in Anyidoho and Crawford (2014), in almost all resource-rich developing countries, the mining industry is reinforced largely by an advocacy of the extractive model of development articulated by powerful neo-liberal international institutions like the World Bank/IMF and their allies and embraced by national governments. Thus, when a local entity like a community, pressure group or a local civil society organization/non-governmental organization (CSO/NGO) opposes mining, it is challenging a global development project and engaging the powerful global coalitions behind it. Today, globalization has redefined development to mean a global pursuit in which global resources including capital can find outlets everywhere including the national space. MNCs are major conduits for global capital, and so any contest anywhere against them and their activities is a contest against global capital and its affiliate institutions and, by extension, the global development agenda.

These dynamics notwithstanding, there is evidence to suggest that mining-affected communities in Ghana have over the years developed some degree of countervailing power through various strategies such as alliance building, networks, capacity building and empowerment, as well as partnerships with rights-based CSOs/NGOs like WACAM,[1] the Centre for Public Interest Law (CEPIL), Third World Network (TWN) and Integrated Social Development Centre (ISODEC), among others, to bolster their bargaining position and their ability to counter and contest some of the world's most powerful mining MNCs. The outcome has been quite positive; there are indicators to the fact that mining companies' disposition towards their host communities may have improved appreciably over and above what the situation was some 10–20 years ago. The aim of this chapter, therefore, is to establish the extent to which countervailing power developed by local mining communities has impacted the power inequalities between them and the combined MNCs' corporate and state power and how this may have contributed to shaping the mining companies' relations with them. The principal research question is this: in what ways and to what extent has communities' countervailing power countered the tyranny and impunity of the mining companies?

## Conceptual and Theoretical Underpinnings

This chapter is situated within a number of theoretical and conceptual frameworks, including the multinational or transnational corporation and countervailing power theories. These combined also serve as the analytical framework for the chapter.

### Theoretical Perspectives of Multinational Corporations

MNCs and the globalization of production are well-recognized phenomena. According to Jenkins (1987), the subject of MNCs and their role in developing countries has generated passionate feelings which no other economic institution has done. On one hand, MNCs are seen as engines of growth capable of eliminating international economic inequality and, on the other, as major impediments to development. They are reckoned as a force capable of revolutionizing the productive capacities in economically backward regions and yet as a major cause of underdevelopment through the accumulation and draining off of surplus offshore. Both arguments are underpinned by the dialectical doctrines of liberalism and Marxism, with discourses on MNCs often heavily ideologically loaded. Nonetheless, MNCs have remained key actors in the global economy, and by linking FDI, technology and trade, they constitute the driving force of economic growth. Their impact on the economic and social welfare of both developed and developing countries is both widespread and critical (Sauvant and Dunning 1993). According to Eldridge (n.d.), over 40,000 MNCs are currently operating in the global economy, in addition to approximately 250,000 overseas affiliates running cross-continental businesses. In 1995, the top 200 MNCs had combined sales of $7.1 trillion, which is equivalent to 28.3 per cent of the world's gross domestic product. MNC activities are, therefore, one of the most important and intriguing facets of the modern world economy.

Of major concern, however, is the dominant economic power of MNCs. Their unparalleled and continued domination of the global economic space has prompted some writers to cast them in the mould of 'super states' (Acquaah 1986). Their global ubiquity marks them as the most resented and attacked institution within the global economic system. MNCs are accused of various ills such as being the facet of capitalism that exploits developing countries, aggravating their underdevelopment and dependency. Radical dependency exponents, for instance, point to the role of MNCs in the generation and intensification of the contradictions of underdevelopment throughout the developing world. According to Onimode (1988), the capitalist economists' misleading conception that MNCs are partners in development because they channel FDI to poor countries, transfer technology and innovation, provide employment, pay wages and taxes and promote industrialization conceals stark realities. These include the pillaging of host countries' natural resources, super exploitation of labour, net capital transfer from poor countries, technological retardation, structural distortions, political instability, cultural degradation and other abuses. In generating these contradictions, FDI, MNCs, neo-colonialism, multilateral imperialism and neo-liberalism—all mean basically the same thing.

The heat of the debate over the role of MNCs in developing countries may have subsided considerably in recent decades, with resentment giving way to a general warming of attitudes towards MNCs not only in the development literature but also on the part of national governments known to be traditionally very hostile to MNCs (Lall 1993). Prominent among the reasons for this change of heart are a better appreciation of the benefits of MNCs, the experience of FDI-led industrialization in parts of the developing world proving exceptionally successful as in the cases of the so-called Asian Tigers and China, while regimes restrictive to MNCs have performed poorly. The increasing rate of unemployment in many developing countries and the growing need on their part to gain speedy access to modern technologies, services and information networks (ibid.) are key imperatives. One prime factor has been the political or ideological changes in most developing countries following the global demise of leftist ideologies which had alienated MNCs in the past. This has now been replaced with neo-liberalism, which espouses FDI as the principal axis by which developing countries could attract finance capital and also become better integrated into the global economic system. Indeed, as strategic shifts in most countries in Central and Eastern Europe, South East Asia, China and parts of Latin America have gathered pace, leftist and dependency analyses have grown quite unfashionable, supplanted by a widespread move towards a greater belief in the market.

At the core of MNC theorization are the intense debate and conflicting arguments over the role and impact of MNCs in developing countries. The literature articulates various positions on their role and impact, often with considerable ideological passion. The trend has been to distinguish between those groups of social scientists whose contributions to this debate place emphasis on the benefits of MNCs' presence in developing countries and the other faction, which adopts a more critical approach, stressing the liabilities arising from MNCs' activities. This two-way classification corresponds respectively to the non-Marxist and Marxist views on MNCs in developing countries. Jenkins (1987) classified the analytical approaches adopted by various writers into four main theoretical perspectives on MNCs. These include the neo-classical, global-reach, neo-fundamentalist and the neo-imperialist perspectives on MNCs.

The *neo-classical approach* is attributable to theorists who advocate the positive effects of FDI, basing their arguments on neo-classical economic theory, which postulates that MNCs guarantee capital flow to poor and lagging regions and in the process act as efficient allocators of resources internationally, maximizing global welfare by bridging inequality gaps. The *global-reach* view emphasizes the oligopolistic nature of MNCs. It asserts that FDIs are part of the strategy of oligopolistic firms and not simply a resource flow. Thus, the market power of MNCs emanates from a number of oligopolistic advantages possessed by them with regard to access to capital, control over technology, extensive marketing outlets and strategies and privileged access to raw materials that give them extremely discretionary powers and influence (ibid.). The *neo-imperialist* perspective of MNCs represents the views of Marxist and dependency theorists who argue that MNCs intensify and perpetuate underdevelopment in poor countries. They contend that the monopolization of industry leads to the accumulation of capital in the core regions. This capital seeks investment outlets overseas, leading to exploitation, imperialism and underdevelopment of host nations. They depict MNCs as 'vast suction pumps' that siphon off resources from the periphery to the core, depriving poor countries of domestic resources for economic growth (ibid.). The *neo-fundamentalist Marxists* are Marxist turncoats who developed somewhat very different opinions on the role of MNCs in developing countries, contrary to the position espoused by mainstream Marxists. To them, the impact of MNCs on developing countries is significantly positive because they help to develop the forces of production and provide the material basis for a socialist society. Regarded as 'realist Marxists', they concur with the neo-classical viewpoint that MNCs not only supplement existing local resources but also generate additional local resources or utilize previously unutilized resources (ibid.).

In summary, while advocates of MNCs point to their positive contributions, such as the inflow of investible capital, transfer of technology and diffusion of innovations into poor and lagging regions and employment creation, among others, critics sharply contest these factors. They point to ills like capital flight and the 'de-capitalization' of host nations (backwash effect), distorted development patterns, transfer of obsolete technologies and low employment creation owing to their preference for capital-intensive technologies or modes of production. Other criticisms relate to MNCs' distortion of local economies by undermining indigenous entrepreneurial initiatives; reinforcement of financial, technological and market dependencies; threatening indigenous cultures; and even encouraging political interference. The environmental effects of MNCs' broad range of activities related to extraction, production, including processing, manufacturing and technical processes, distribution and disposal of goods and services are of major global concern. Though developing countries may have improved their bargaining position and achieved relatively better terms, asymmetrical relations do persist. For instance, MNCs operating in the extractive sector of mineral-rich developing countries often justify their larger stake to the profits on the grounds that it takes their risk capital, equipment, technical know-how and marketing arrangements to give the mineral its resource value. The host countries merely sit back and collect the unearned economic rent by their geologically fortunate inheritance (Rees 1985).

## The Theory of Countervailing Power

Within mainstream capitalist economic theory, competition is perceived as the autonomous regulator of economic activity and as the only viable regulatory mechanism apart from the state. Competition ensures that economic power is not concentrated in the hands of a few. According to Galbraith (1952), who propounded the theory of countervailing power, the emergence of a string of firms to counter the monopoly and economic power of individuals is central to classical economic theory. On the other extreme is the notion of state capitalism or state control of capital as a check to private monopoly and the enhancement of individuals' private economic power, a thought rooted in Marxist doctrine. According to Galbraith, within the framework of the competitive model, the restraint on the emergence of a monopoly and the private exercise of economic power is provided by other firms on the same side of the market. Thus, if firms can exploit strong demand and increase their price as well as profit margins appreciably, this would induce an inflow of new competitors. The resultant increase in supply would return prices and profits to normal. In this case, according to Galbraith, the incentive to engage in socially desirable behaviour is provided by the competitor. It was in the same side of the market—the restraint of sellers by other sellers and of buyers by other buyers—that economists have identified the self-regulatory mechanism of the market, that is, competition. Galbraith posits that new restraints on private economic power have appeared to replace competition. But they appeared not on the same side of the market but on the opposite side, not with competitors but with customers or suppliers. This counterpart of competition he calls the countervailing power.

Galbraith postulates that private economic power is held in check by the countervailing power of those who are subject to it. The first begets the second. The fact that a seller enjoys a measure of monopoly power and is reaping a measure of monopoly return as a result means that there is an inducement to those firms from whom the seller buys or those to whom he sells to develop the power with which they can defend themselves against exploitation. In this way, the existence of market power creates an incentive for the organization of another position of power that neutralizes it. Countervailing power like competition is also a self-generating force, which evolves in response to a given position of power. This power can be relied upon to curb the economic power of a few firms and monopolies because power on one side of a market creates both the need for and the prospect of reward to the exercise of countervailing power from the other side. According to Galbraith, countervailing power manifests itself with the greatest clarity within the labour market, where it is most fully developed. Labour unions representing countervailing power have emerged over time in response to the economic power that confronts individual workers in the sale of their labour, and, coupled with the competition of many sellers dealing with few buyers, it is essential that they unionize with other workers through which their economic interests can be protected. In effect, a countervailing power develops often in response to a domineering economic power. It is not by accident that the most powerful labour unions in the industrialized countries are found where markets are served by very strong enterprises or corporations. The economic strength of these corporations has compelled workers to develop the protection of countervailing power.

In many poor countries, it is not easy for a large number of individuals to come together to organize countervailing power. What one finds is that a large mass of the people are fully exposed to the exploitation of powerful MNCs, strategically positioned importers, merchants and wholesalers and yet without the seeming capacity to develop countervailing power on their own. Though Galbraith fails to explain why this is the case in poor countries, it is apparent that this is a reflection of the power asymmetry between MNCs and their host developing countries. This represents, according to Marxist economic theory, part of the externalities of capitalism (Agbesinyale 2003). To cure the power imbalance, government-sponsored countervailing power may be relied upon. This may come in the form of legislation to protect labour and unions, minimum wage setting, regulatory frameworks for industry regarding investments, company mergers, pollution and environmental standards, which give some measure of power to groups previously subordinated to the power of the more powerful economic entities. Government can also act to curb the power of monopolies and oligopolies. The development of countervailing power with government support can change the situation of vulnerable groups and those at the lowest rungs of the economic ladder such as peasants and lower-class workers. This can help to change attitudes among this class where a pervading deep sense of inferiority and insecurity is replaced by a sense of equality and confidence, which is good for the economy and the polity.

Countervailing power from a socio-political point of view thus denotes the ability of weaker groups in any power relations to mobilize forces—economic, political and social—so that they can counter or curb the power of the extremely dominant group or groups. The mobilization of forces enhances their power position vis-à-vis the power position of the dominant group. Within the context of Ghana's mining industry, the emergence of countervailing power helps to address some of the ills of power asymmetry in corporate–community relations. It has been inconceivable how weaker groups like mineworkers' unions, communities and groups such as small-scale miners and peasants within a mining setting could develop countervailing power to contend with the might of giant mining MNCs. Some of the realities in Ghana today point to the contrary. The Ghana Mineworkers Union (GMWU) is one of the most powerful national unions within the ranks of organized labour in Ghana. It has been quite successful over the years in building countervailing power in response to the might of their employers—the mining companies. One of the union's landmark achievements was to have its members' wages and salaries indexed to the US dollar as a hedge against volatilities inherent in the local currency. The argument has been that labour unions are able to build effective countervailing power because of their structured nature and because they have a certain level of formality which communities and community groups do not have. However, through partnerships and collaboration with CSOs/NGOs, networking and alliance building, aided by the vast opportunities offered by information and communication technology (ICT), mining communities and local groups are developing countervailing power and pitting themselves against the might of the mining companies, sometimes winning little but important victories.

## Methodological Approach

The study design was a longitudinal case study of the Ahasonyewodea mining community near Obuasi in the Ashanti region of Ghana, located within the shadows of one of the world's largest mining companies—AngloGold Ashanti (AGA). The choice of AGA was informed by its size and global standing in terms of corporate might and clout. Some of AGA's mining operations are within typical rural settings, bringing its corporate disposition into sharp contrast with those of typical traditional rural communities. Ahasonyewodea was purposively selected owing to its chequered history of antagonistic relationship with the AGA. The longitudinal nature of the study stems from the fact that Ahasonyewodea was studied repeatedly specifically in 2000, 2008 and 2014 in order to establish trends in corporate–community relations over time. The study employed a qualitative approach to facilitate in-depth analyses of the key issues. Community respondents and key informants, including chiefs and their elders, opinion leaders, assembly members, Unit Committee members, mine workers, artisanal ('galamsey'[2]) miners, farmers, youth groups, women's groups and ordinary community members, as well as the AGA and Ghana Chamber of Mines officials, constituted the main sources of information on a range of issues. Both primary and secondary information was solicited from a number of relevant public institutions and agencies, including the municipal assembly, police service, law courts, the Commission for Human Rights and Administrative Justice (CHRAJ), Minerals Commission and Environmental Protection Agency. A number of civil society groups and NGOs, including WACAM, CEPIL, ISODEC, TWN, GMWU, Small Scale Miners Association and other local development NGOs were also contacted for information. Both WACAM and CEPIL were crucial to the study since they are strong advocacy NGOs whose work involves actively empowering mining communities and grass roots in ways that help them to develop advocacy capacity and build countervailing power. Data collection was conducted via focus group discussions for communities and groups, structured and unstructured interviews, key-informant interviews, informal chats and discussions with individuals. Documentary studies and analyses were carried out as part of secondary data collection, while triangulation to authenticate field data as part of quality control was embedded as a part of data collection.

## Analyses and Discussions

The study identifies and delineates three interlocking phases in the evolution and development of countervailing power by host local communities in their relations with mining companies. The three phases are as follows:

- Phase I (1986–96): The era of dominance, tyranny and arrogance of the mining companies;
- Phase II (1997–2007): The period of grass-roots advocacy, power mobilization and resistance;
- Phase III (2008–2015): The phase of countervailing power and moderation.

## The Era of Dominance, Tyranny and Arrogance of the Mining Companies (1986–96)

This phase marked the early years of MNCs' descent on Ghana's mining sector following comprehensive mining sector reforms in 1986. The decade 1986–96 witnessed a massive influx of mining MNCs following the liberalization of the sector. Within this period, at least 270 mining companies of various sizes and of various nationalities had applied to the Minerals Commission for a licence to carry out various mining operations in the country (Akabzaa 2000). The period also represents the era of dominance, tyranny and arrogance on the part of the mining companies backed by state power, global capital and allied capitalist institutions like the World Bank and the International Finance Corporation (IFC). The period coincided with Ghana's journey towards economic recovery and stabilization under the SAP, whereby attracting FDI into the extractive sector was deemed as being strategic and valuable. State power provided both the leverage and mileage for FDI and the mining MNCs. For local communities, this era witnessed massive land seizure and land alienation without adequate or no compensation and the dislocation of communities and the destruction of their livelihood, coupled with environmental degradation and pollution with tacit government complicity. According to Akabzaa (2000), this period marked an era of boom and dislocation. It was an era of arrogance, impunity, abuse of power and human rights violations on the part of the mining companies. For instance, in a study of the South Africa–owned Gold Fields Ghana Limited mine in Tarkwa, in 1996, soon after it had acquired the state-owned Tarkwa mine, workers complained bitterly about the racist and apartheid style of the management. They claimed that all the white managers and supervisors of the mine were constantly armed with pistols, which they used to intimidate and coerce workers with impunity while the government stood aloof, drawing the management into sharp conflict with the workplace union (Agbesinyale et al. 1997). This era (1986–92) coincided with the despotic military-led regime of the Provisional National Defence Council (PNDC), and with its autocratic tendencies, the state employed coercion and repression to whip local mining communities into acquiescence for the sake of 'national interest'. The mining companies became entrapped in a similar mould by 'regimentalizing' their relations with their host communities, resulting in human rights violations, which invariably undermined their social legitimacy.

While the Minerals and Mining Law (1986) provided benefits and incentives to prospective investors and mining companies, it also placed specific obligations on them with respect to the rights of others. These obligations, as stated in Sections 70–72 of the law, include the following:

- The exercise of a mineral right must be consistent with the reasonable and proper conduct of mining operations and shall affect as little as possible the interest of any lawful occupier of the land in respect of which such right is exercised;
- The lawful occupier of land subject to a mineral right has grazing and cultivation rights insofar as such grazing and cultivation do not interfere with mining operations. In other words, the mining company is obligated to permit the exercise of the surface rights of grazing and cultivation that do not interrupt its mining;
- The holder of a mineral right is under an obligation to pay compensation to the owner or occupier of any land subject to a mineral right in respect of disturbance of the rights of such owner and for damage done to the surface of the land, buildings, works of improvement, livestock, crops or trees in the mining area;
- Holders of mineral rights are entreated to have due regard for the effect of mining operations on the environment and to take such steps as may be necessary to prevent pollution of the environment as a result of such mining operations.

According to Ayine (1999), while mining companies have been quick to exercise their rights with respect to the incentives, they are rather tardy in complying with the legal and constitutional obligations placed on them under the same enactments. Mining companies within this period frequently flouted rules and regulations which imposed obligations and responsibilities on them and trampled on the correlative rights of other persons emanating from such obligations and responsibilities. Government's enforcement mechanisms were either weak or relaxed so as not to stifle FDI. Some of the rights of mining communities are enshrined in the Constitution of Ghana, while others represent embodiments of international laws, charters and legal principles pertaining to human rights and the environment. For instance, Article 24 of the African Charter on Human Rights states: '*All peoples shall have the right to a general satisfactory environment favourable to their development.*' This right is embodied in the UN Environment Programme's 1993 basic law on environmental protection and the promotion of sustainable development. Article 2 paragraph 2 of the Governing Principles provides for the right of present and future generations to enjoy a healthy and decent quality of life (Kasimbazi 1998).

A close assessment of the situation in most of the mining communities studied within this period revealed breaches of the rights of individuals and communities by the companies. This included the right to a clean and healthy environment, the right to development, protection from deprivation of property and protection of privacy of home and other property. Others included the right to employment and meaningful livelihood, respect for human dignity, educational rights and rights of children. In addition, across most of the mining areas, communities recounted vivid stories of brutalities meted out to them by police-military task forces engaged by the mining companies to forcefully evict recalcitrant individuals and communities from their lands, homes and farms to make way for mining operations. They also suppressed all forms of community agitation and resistance to the mining companies. Sections of small-scale miners and galamsey operators spoke of how armed security personnel had brutalized them for reasons such as operating illegally within the companies' concessions, for causing damage to company property or for alleged theft (Agbesinyale 2003).

Within the period under review, various studies (Akabzaa and Darimani 2001; Mireku-Gyimah 2001; Akabzaa 2000; Ayine 1999; Lassey 1999; Mate 1998) and newspaper reports featured several cases of open hostilities and clashes between the security outfits of mining companies and their host communities. Indeed, the entire mining sector of Ghana was awash with conflicts, tensions and clashes almost everywhere primarily because of the companies' use of open-cast mining, which was alien and destructive to most communities and which also usurped their lands and livelihood assets. In almost all cases, the grievances were the same or similar, notably, land alienation, loss of livelihood, forceful evictions, little or no compensation payments over loss of land, farms and houses, and environmental degradation and pollution through effluent discharge including cyanide spillage. Others included the effects of rock blasting on buildings as well as dust and noise pollution. Community resistance and protests were met with inordinate police-cum-military force leading to deaths, injuries and destruction of property. Several cases of harassment, intimidation, arrests and detention with or without trial of locals at the behest of the mining companies were common across the board. In many cases, the targets were vocal individuals and local activists who were perceived as instigating community resistance.

Some landmark cases during the period under review were the Old Atuabo and Akontansi communities' resistance to a planned resettlement arrangement by Gold Fields Ghana Ltd. in a newly constructed New Atuabo resettlement township. The protest was over the sizes and number of rooms allocated to individual households as part of the resettlement package. In April 1998, two members of the village of Atuabo serving on the resettlement committee were arbitrarily arrested by security personnel and put before a community tribunal allegedly on the orders of the then regional minister. They were accused of expressing divergent views on the resettlement issue in a manner that was insulting to the minister. A series of community protests followed the arrests. A combined team of police and soldiers went on a rampage within the protesting communities, shooting and wounding nine people and arresting several others, who were detained for days. Many of the villagers, including the old, women and the infirm, were reportedly subjected to severe beatings and mistreatment. The armed men also destroyed property, including the dwelling places of most of the villagers (Agbesinyale 2003).

According to Lassey (1999), in August 1997, the farming village of Nkwantakrom near Tarkwa with about 45 houses was completely demolished by armed police and a group of thugs allegedly hired by the Ghana Australia Goldfields Limited. Terrified by the demolishing exercise, women and children ran into the bush. A two-year-old child who was sleeping was buried alive but was later salvaged when the raiders retreated. Personal effects of the villagers were also looted. What triggered this action was a protest staged by the community over pollution by the mining company of a river which was the community's only source of drinking water. Within the same period, the youth of Bogosu clashed with armed police in violent demonstrations staged by the youth over discrimination by the company over jobs leading to several arrests and detentions without trial. The youth claimed that almost all the mining jobs were offered to 'outsiders', contrary to earlier promises made to them by the company. Other similar conflicts or open hostilities between communities and mining companies were recorded at the Ayanfuri mine owned by Cluff Resources, Teberebie mine (near Tarkwa) owned by Teberebie Goldfields Limited, and Aboso mine owned by Aboso Goldfields Limited. These and several other examples illustrate how the rights of host communities were subjected to incessant threats from the companies.

According to Ayine (1999), local communities were treated with indignity; apart from their constant subjection to harassment, beatings and all manner of inhuman treatments perpetrated by the security forces, the living conditions of some of these mining communities deteriorated on daily basis owing to the mining operations. In addition, communities were deprived access to the basic necessities of life including potable water, adequate food, housing, education and good health. Studies on mining in Ghana during this period (Akabzaa 2000; Ayine 1999; Lassey 1999; Dzigbodi-Adjimah 1996; Songsore et al. 1994; Tsidzi and Adofo 1993) pointed to the enormous power inequality between the mining companies and their host communities and how communities had lost their rights and entitlements while the mining companies with their powerful lobby had gained everything. Local communities were not only highly ignorant of their rights and privileges under the law owing to illiteracy, they were also oblivious of the processes and procedures for the legal protection of these rights under the law and so were not able to assert them. These deficiencies were exploited by the companies the fullest extent possible with apparent state complicity. State complicity in the form of acts of commission and omission by state agencies that aided and abetted mining companies' violations of community rights reinforced the dominant power position of the companies. The tendency was for both the state and the companies to perceive local communities as impediments to resource expropriation and not as holders of rights. As Ayine (1999) pointed out with respect to compensation payments:

> The protection afforded local communities in terms of payment of compensation with respect to land surface rights is rendered useless because local communities are treated as obstacles and not as right-bearers to mining operations by both mining companies and the central government. (1999: 12)

Communities' only option under the circumstances was to stage mass demonstrations, protests and sometimes violent confrontations to have their grievances redressed, even over trivial matters. For instance, in 1996, for the first time in the history of Ghana, a large retinue of Wassa traditional chiefs held a public demonstration in Tarkwa to register their protest over the spate of land alienations and destruction of Wassa[3] lands through mining. Such a public demonstration by traditional chiefs was considered rather sacrilegious and was an extremely rare occurrence in Ghana's traditional social arrangement, amounting to chiefs breaking traditional protocol. WACAM, as an advocacy and rights-based organization, was said to have been born soon after this action by the chiefs and aimed at helping protect the rights of Wassa communities affected by mining. Thus, within this period under review, community–corporate relations were characterized by bad blood, adversarialism, deep suspicion, mistrust and conflicts. Communities accused the companies of employing divide-and-conquer tactics, arm-twisting, subterfuge and gimmicks, blackmail, intimidation, harassment and brute force in their relations with them. Generally, the state and mining companies' complicity in frustrating the communities, repression using various state apparatus and lack of adequate redress and avenues for justice delivery led to despondency among communities, resulting in the widespread conflicts characteristic of this era.

## The Case and State of the Ahansonyewodea Mining Community in 2000

The Ahansonyewodea mining community and events in that community over the years typify the three interlocking phases, as elaborated earlier, in its relations with AGA mining company. Ahansonyewodea is one of the oldest mining communities in Ghana and is located on the fringes of a major open-cast mine operated by AGA in Obuasi (formerly Ashanti Goldfields Corporation or AGC).[4] The community had a chequered history of losing its lands and locations many times owing to land alienation and conflict until it finally settled in the present location, hence the name Ahansonyewodea, which in the Akan language translates to '*this present location does not even belong to you*'. Ahansonyewodea is a highly densely populated slum community with over 2000 persons residing on less than one square kilometre of land with shack-like houses clustered closely, almost suffocating the community. By all standards, Ahansonyewodea represents a classic case of the gold–poverty paradox where poverty thrives next to gold; it is characterized by poor housing, limited access to social infrastructure and services, high unemployment, malnutrition among children, illiteracy, squalor, disease and crime.

The community has been a hotbed of agitation, violent conflict and open hostility directed at the AGA, and these came to a crescendo when the latter (as AGC then) began surface mining operations in the mid-1990s. Grievances against the AGA since the late 1990s were dominated largely by issues around land alienation and a loss of community lands, including farms and farmlands, loss of livelihoods, unemployment and perceived denial of mine jobs to community members by the company, issues of exclusion and environmental degradation and pollution. Others included AGA's stance and fight against illegal mining,[5] popularly known as galamsey, within its mining concessions, which the youth saw as their legitimate right, a development which was responsible for stoking frequent conflicts and human rights abuses. By 2000, when Ahansonyewodea was first studied by the author, the community had lost a large expanse of its lands, including farmlands and farms, to the surface mining operations of AGA without adequate compensation, a claim forcefully and passionately made by community leaders and members. This led to the disruption of household livelihoods, which were largely farm based. AGA officials countered the land alienation claim, stating that all lands in the Obuasi area including those of Ahansonyewodea had long been concessioned out to the predecessor company (AGC) under the colonial government and upheld by successive post-independence governments, so communities had no tenable claims to such lands. Unemployment was rife among the youth, leading to illegal mining and crime. Many of the youth in Focus Group Discussion (FGD) sessions claimed that AGA had denied them mine jobs because of the perceived belligerent stance of the community, a claim confirmed by AGA officials. AGA's persistent fight to stamp out illegal artisanal mining or galamsey within its Obuasi concession remained the most unpopular battle and a major source of conflict between the company and the community's youth, the vast majority of galamsey miners. Several instances of violent clashes occurred between combined company and state security personnel on the one hand and galamsey miners from the community on the other, resulting in death, injuries and damage to property, followed often by indiscriminate arrests, detentions and prosecutions. The protracted conflict between AGA and galamsey miners rages on to this day. At the heart of this conflict lies the competition for resources which local people lay legitimate claim to but which AGA disputes on the basis of law. The state is obliged to act on the company's behalf in matters of violent conflicts and other serious infractions committed by members of the community.

AGA has persistently been accused of violating the rights of community members, which the company had denied, but this would be confirmed later by a study commissioned by CHRAJ in 2007. For years, Ahansonyewodea had been a victim of air, water, chemical and noise pollution. Separating the community from the mine is an artificial ridge built by AGA out of rock waste both as a dump site and a barricade against encroachment. The community is located at the foothills of this artificial ridge. Run-off and leachate from the waste dump carry residual toxic chemicals that pollute the entire community after each rain. In addition, the community has been living in fear over the prospect of a possible landslide from the dump. For years, this ridge of waste dump had also been an object of contention between AGA and galamsey miners from the community. AGA fought back, sometimes ruthlessly, against any attempt by the latter to mine the waste dump suspected to be laden with residual gold, often resulting in violent clashes and high-handedness from the company. The community also suffered from the effects of persistent rock blasting on the mine. Cracked buildings and injuries from flying rocks, alongside pollution from mine dust and deafening noise, were common. Ahansonyewodea's numerous grievances and petitions to AGA and relevant state agencies always ended with no action being taken. The chief of Ahansonyewodea had this to say in 2000 to buttress the community's claims:

> Ever since commercial mining began in Obuasi more than a century ago we have been the community that has suffered the most through land alienation and disruption of our livelihoods in ways that have utterly impoverished us. We have been constantly polluted and blasted, which has left our houses dilapidated and exposed to adverse health conditions. Meanwhile, our children are denied jobs at the mine on the grounds that they are too vociferous and bellicose, and for the same reasons we are denied basic amenities, even by the government. Our ancestors bequeathed to us artisanal mining as a legacy we cannot practice, but meanwhile, there are no jobs for the youth. Our countless appeals and petitions have gone nowhere. Both AGA and the government have hemmed us in, and we have become captives to them. We have become more than slaves on our God-given land. I fear an explosion.

This statement from the chief summed up the general pent-up feelings and sentiments of the Ahansonyewodea community at the time; it is a community which is in distress and wants to be heard but its members' voices have been suppressed and marginalized. The same community lacked the capacity and the clout to effectively seek redress and pursue justice in the law courts over a range of issues and grievances. Even when they attempted to do so, community members became frustrated, pointing to perceived collusion between the state and the mining company to stifle dissent. The state and its apparatus were perceived as seeking to protect AGA, over and above the interests and rights of the community, compelling the latter to see defiance, resistance and protest as the only plausible options available to them. One community youth remarked as follows during an FGD session in 2000:

> All that the mining company backed by the government has done is to weaken and break our collective resolve as a community. But a baby that would not allow her mother to sleep at night would not herself sleep well.

This implied that they as a community and the youth would make things rather difficult for AGA through defiance, resistance and protest until their grievances were addressed. These statements from community members aptly captured the mood of an underdog community at the time. AGA's relation with the community at this point in time could be described as overbearing, high-handed, haughty and arrogant. AGA officials defended their sledgehammer actions, retorting that theirs is a law-abiding and tax-paying company that had the duty to protect itself and its shareholders' investments by any lawful and legitimate means.

## The Phase of Grass-Roots Advocacy, Mobilization and Resistance (1997–2007)

This phase marks the development of grass-roots advocacy, mobilization and resistance, aided largely by interventions and support from notable advocacy-based CSOs and NGOs, including WACAM, CEPIL and ISODEC. Two developments provided added impetus. First was the sharp dip and near collapse of the world market price of gold by the late 1990s and early 2000s, when some developed nations decided to sell part of their gold reserves, with devastating effects on Ghana's economy. The bust also clipped the economic might of the mining companies. A number of them, especially the junior ones, were either sold out or folded up their operations in Ghana. Massive retrenchment of mine labour followed. AGA, for instance, downsized its labour force from 8000 employees to about 5000 by the year 2000, sparking major labour agitations. A chunk of this redundant mine labour found its way into illegal artisanal mining or galamsey, swelling up this subsector significantly in the ensuing years. Galamsey is considered to be a major threat because it tends to compete with mining companies for mineral resources. Several galamsey operators invaded the concessions of AGA and its underground mine, prompting a heavy-handed response from the company, which according to critics, including CHRAJ, amounted to serious human rights violations.

Second was the increasing and renewed surge towards globalization and the expansion of the frontiers of ICT, particularly the Internet, which allows the grievances, pain and protests of even the tiniest mining community in Ghana to become global and possibly attract global sympathies. In their effort to empower local communities so that they can counter the excesses of the mining companies, advocacy CSOs, particularly WACAM, began to build global alliances for itself and on behalf of the mining communities. WACAM, for instance, built alliances at the international, national and local levels with like-minded rights-based organizations. In the global North, WACAM has been successful in forging partnerships with Food First International Action Network (FIAN), an international human rights organization based in Germany that advocates for the right to food as an economic right; OXFAM America; Earthworks, a US-based NGO; and OECD Watch, among others. These have been used by WACAM to wage very successful international campaigns against the mining companies and their surrogates. Similar alliances have been forged with the Third World Network-Africa, Forest Watch Ghana and the National Coalition on Mining (NCOM) at the national level. At the local level, WACAM has strong partnerships with the Concerned Farmers' Associations and youth groups such as Youth for Action, all for the purpose of effective advocacy and campaigns on behalf of the mining communities.

The global partners often highlight the plights of mining communities and bring to the fore some of the effects of Western FDI in mineral-rich poor nations like Ghana. The intense campaigns on mining communities' plights, some of them strategically targeted at the shareholders of the mining MNCs, using the Internet for example, may have had the desired impact as some shareholders had threatened to divest or actually had done so over questions of ethical investment. These developments, sometimes interspersed by violent demonstrations by a mosaic of anti-capitalist, left-wing, pro-poor and pro-environmental groups on the side-lines of global summits like the G7/G8, G20 and World Economic Forum began to shape discourse around FDI and extractivism in developing countries, with the call for FDI to assume a more human face in these countries. The World Bank and its subsidiary, the IFC,[6] having come under intense global pressure from these campaigns, have by now begun to push for greater environmental justice, inclusiveness, social and economic uprightness and respect for human rights from MNCs, particularly those in the extractive sector.

Seeing that their adversarial relations with their host communities could not guarantee sustainability, coupled with pressure from both local and international rights-based and environmental watch groups, and, most importantly, from shareholders, most of the mining companies established internal formal structures to constructively engage with their host communities. It soon became a norm for almost all the large mining companies to establish community relations and development departments in addition to environmental management departments with clear mandates to deal with community and environmental issues respectively. Corporate social responsibility was to be used as a vehicle to mend hostile corporate–community relations into a relationship built on transparency, trust and cooperation. To enhance their corporate image globally and address the apprehensions of their shareholders, some of the mining companies applied for ISO certification, which called for, among other things, high environmental and community relations standards. Nonetheless, these did not immediately change the situation on the ground with respect to corporate–community relations.

Locally, WACAM in particular had by this time started to work closely and actively with several local mining communities mainly in the western region of the country, leading both local and international campaigns against the mining companies, providing advocacy training to locals and equipping them with skills that enabled them to effectively engage the mining companies. CEPIL, on the other hand, provides legal aid to communities in their search for justice in courts of law while also providing paralegal training to select community members for the purpose of effective community representation and participation in legal issues. Both organizations drew considerable funding support from OXFAM America and other funding organizations. The two organizations, with support from their international networks, thus started to build the capacities of many mining communities towards empowering them and aiding them to gradually build their own countervailing force. Intense public campaigns led by WACAM and CEPIL, in conjunction with some of the mining communities with respect to human rights abuses by the companies, had by 2007 compelled CHRAJ to commission an extensive study and investigations into cases of human rights violations in Ghana's mines. A recent study by WACAM and its activities over the years by Crawford has shown how successful the organization has been in charting this path, using various strategies, including Lukes' (2005) three dimensions of power—visible, hidden and invisible.

## The Situation in Ahansonyewodea in 2008

The emerging issues from a study of the same Ahansonyewodea community in 2008 indicated demonstrably that little had changed over the last eight years. Prominent among the issues raised by the community were land/farm alienation without payment or with inadequate payment in compensation; denial of access to food crops, forests, streams and rivers by AGA; restriction on the movements of community members with barricades built out of rock waste; degradation of land, pollution of water bodies and malaria menace; and an outbreak of tuberculosis within the community. Other issues included human rights violations, specifically the use of the police-cum-military to harass, coerce, arrest and brutalize community members and galamsey miners; the suffocation to death of illegal miners in underground pits by the company's security personnel (who used smoke to drive out illegal miners) and the use of giant security dogs of the company on small-scale miner intruders to demobilize and arrest them in a harmful manner. Some workers of AGA confirmed and justified the gory treatments meted out to illegal miners who had intruded on the company's underground pits. They claimed that illegal miners were often suffocated by the use of intense smoke from burning lorry tyres underground in order to flush them out. In the process, some of the illegal miners died underground, which nobody ever hears or knows about. The mine workers justified this action on the grounds that the illegal miners were intruding on concessions of AGA, which is the legitimate and bona fide owner of the property. In many instances, according to company workers, the intruding illegal miners were armed with deadly weapons with which they attacked the company's security personnel whenever challenged. The community also complained of frequent rock blasting without adequate precautions by the company, non-payment of compensation for the damage and destruction of landed properties like houses caused by blasting, community exclusion and their effective loss of the right to participate in decision making and in Environmental Impact Assessments carried out by the Environmental Protection Agency (EPA). It was evident that members of the community were largely ignorant of their own rights under the law just as they were of the legal processes and procedures as a whole. Even when they were aware, the level of poverty and the absence of legal aid were severe constraints. Their countervailing power base albeit being built, remained extremely weak and very ineffectual as the pursuit of justice remains very expensive for the community.

Sections of galamsey operators in Ahansonyewodea complained bitterly about the use of armed security personnel by the mining companies to brutalize them for trespassing and about the mining rock waste of the company. It was evident that the activities of galamsey miners, which were in direct competition with the AGA, presented a major challenge, a conflict situation which was getting increasingly explosive and extremely dangerous. The head of Obuasi District Police, for instance, revealed that on average, five mining-related cases were reported every day at the police station involving mostly galamsey operators or community youth. The Obuasi District Circuit Court Registrar also affirmed this, stating that the court was inundated with countless cases of illegal miners and youth encroaching on company property, illegal entry, theft and damage to company property. The truth was that the large-scale surface mining operations of AGA have diminished the space within which small-scale miners operated locally. This became a major source of conflict in most of the mining areas. Small-scale miners are mostly indigenous people who see themselves as having a legitimate right to the land within their localities where land is traditionally owned communally. To them, the land belongs to their ancestors, some of whom were involved in artisanal mining, which was bequeathed to the current generation, so today they saw it as a legitimate duty to continue with this vocation. A group of small-scale miners in an FGD session had this to say:

> This land is ours and not for the government; our ancestors handed it over from one generation to the other, and today it is our turn. Our ancestors did farming, hunting, gathering and later artisanal mining on the land, and those were the vocations they handed down to us. Even though formal education today provides other opportunities for making a living, many of us in this community have been tied to these traditional vocations. But see, today we cannot do farming and hunting because all our farmland and forests have been taken away by the mining company and we are perpetually hemmed in here. The only thing we can possibly do is small-scale mining, but we are constantly being harassed for it. We do not know what the company and the government expect us to do. But we want you [the author] to tell them that we shall never give up.

Over the years, these groups of artisanal miners have developed a strong sense of resource nationalism, which is incipient in the strong arguments raised to justify their illegal actions. According to them, small-scale mining provides mass employment for the youth and women; the gold obtained therefrom is sold within Ghana and the revenue obtained thereof stays in the country, unlike the mining companies, who repatriate their gold revenues outside the country. Moreover, income from the trade has boosted the local economy to unprecedented levels. In that respect, the groups were confident that their activities aided the development of Ghana more than those of the large mining companies.

In a related development, findings from a study by CHRAJ on human rights abuses in the mines, published in 2008, identified the mining companies, along with the AGA, as being among the worst offenders. The findings generated a backlash, blemishing the image of the company, thereby prompting it to revise its policy on host communities from one of confrontation to engagement. With training and advocacy support from WACAM, CEPIL and other local NGOs, the Ahansonyewodea community also slightly shifted from open confrontations towards greater community activism. The community had by this time elected a very dynamic assemblywoman to represent it in the Obuasi Municipal Assembly, which also had brought a new phase of leadership of engagement and activism to the community. By 2008, in spite of a few skirmishes between community youth/galamsey operators on the one hand and the company's security personnel on the other, the general trend has been towards company–community engagement on a range of issues.

## The Phase of Countervailing Power and Corporate Moderation (2008–15)

This phase is associated with a period of remarkable growth in the power and voice of communities, with strong and active support from rights-based advocacy CSOs/NGOs and their global allies, buoyed by further growth in the use of ICT and social media. Through intense media (including social media) campaigns, mining and oil companies have come under immense pressure globally to act responsibly with respect to human rights, community relations, corporate social responsibility and environmental sanctity. Global campaigns were also stepped up to influence companies, financial institutions and entities that stand to benefit from extractive industries operating in developing countries and, likewise, to enact, uphold and enforce policies and practices that protect communities' rights. Locally, strong campaigns waged by CSOs/NGOs like WACAM in collaboration with mining communities and various community-based organizations (CBOs) around emerging issues like the Extractive Industries Transparency Initiative (EITI), which Ghana had signed onto in 2003, and the concept of free, prior and informed consent (FPIC) were stepped up. Pressure was also brought to bear on the government to amend the Minerals and Mining Law of 2006 (Act 703), albeit with few concessions to the communities except that the amendment had established an Inspectorate Division to the Minerals Commission with a mandate to enforce compliance with laws, regulations and standards, by permitting procedures, inspections and enquiries so as to reduce accidents, dangers, disturbing effects and nuisances caused by mining activities to an acceptable level. These developments, among others, shored up the countervailing power of the local communities.

Massive recoveries in the gold price within the period under review not only brought the companies' windfall profits but also occasioned the opening of new mines or the rehabilitation of old ones. These required some amount of social licence from the host communities which by now had to be earned and secured through corporate–community engagements and negotiations and not based on the earlier arrogant stance of the companies in alienating communities' lands. The AGA had by this time developed a corporate human rights policy in addition to an integrated environment and community policy, among others. The latter highlights AGA's core values such as 'respect for the environment and the need for communities and societies in which the company operates to be better off for AGA having been there'. Across the board, community relation departments of the various mining companies have been strengthened to engage actively with host communities. AGA, in addition, established a Sustainable Development Department, which was charged with planning and delivering development in the mining communities through various strategies, including the provision of alternative livelihood schemes, job creation, provision of social infrastructure and amenities, scholarship schemes, malaria control and environmental restoration, among others. The hitherto belligerent and frigid relations between the AGA and its host communities had given way to community engagement and negotiations over pertinent issues. In one interview, the head of the Sustainable Development Department of AGA, Obuasi mine, in 2010, had this to say:

> The exigencies of the time demand that we as a company make a paradigm shift in the way we perceive and relate to our host communities. We followed a certain historical path in the past in which the company's relationship with the communities was founded on power asymmetry, with the AGA historically being the dominant and monolithic entity in relation to the communities, culminating in the company's being perceived as tyrannical and arrogant. This was a grave mistake, which we have accepted and learnt from. Today, and going forward, we have set ourselves on a path to change the way people experience AGA, through positive engagement and development for mutual benefit, across all stages of the

mine life cycle. AGA now focuses not only on the well-being and development of our employees but also on contributing to the development of economically, socially and physically resilient host communities and environments. This represents a complete change in the way we relate to communities now.

The narrative here shows the extent who which AGA claimed to have mended its ways with respect to corporate–community relations, even though evidence from most of the communities, including Ahansonyewodea, did not demonstrate a commensurate turnaround. Nonetheless, these same communities, including Ahansonyewodea, intimated that they had perceived some remarkable change in the attitude of AGA towards them, accompanied by some positive overtures to genuinely better relations from the company. Even so, they as host communities were proceeding with caution and with a measure of suspicion.

## Ahansonyewodea Community in 2014

A study of Ahansonyewodea in 2014 revealed a number of developments. Drawing on the support of the CSOs/NGOs, community activism had grown appreciably, with the assemblywoman and the Town Development Committee serving as the arrowheads. During that period, the Sustainable Development Department of AGA, Obuasi, had several engagements with the community over a range of issues, including illegal mining; the provision of social amenities like a community market, potable water supply, public drains; compensation for damaged houses; and refurbishment of the chief's palace. Other development included employment in the mine, alternative livelihoods, environmental pollution and a malaria control programme initiated by AGA. The assemblywoman claimed that AGA had re-opened communication lines with the Ahansonyewodea community after a long spell of blacklisting owing to the company's intransigence and notoriety in connection with illegal mining, intrusion into the company's concessions, arson, theft and frequent rioting, among others. The blacklisting meant the freezing of all corporate social responsibility benefits extended to the community, including jobs and the provision of social amenities. According to the assemblywoman:

> To show that it has turned over a new leaf, AGA had recently donated and installed a community public address system for Ahansonyewodea to relay information to the community. AGA has also pledged to donate cash and cement towards the construction of a new community market, which had been on the drawing board for years. We have also submitted a request to them for the refurbishment of the chief's palace, to which they have pledged their commitment. (Author interview)

This new era of corporate–community détente and rapprochement, largely at the instigation of AGA, brought a new breath of hope towards building a better relationship. One landmark development during this period was the decision by AGA to allow artisanal miners from the Ahansonyewodea community, under strict requirements, to mine the company's mount of rock waste dump, which had hitherto been barricaded from the community. This, for the community and the artisanal miners, represented a major victory as this issue had been the source of protracted battles and frequent hostilities over the years. Despite these new developments, old grievances still persist in addition to new ones. By 2014, there were indications that the Ahansonyewodea community was being ravaged by a tuberculosis epidemic. According to the assemblywoman, at least one out of fifty people in the community had tested positive for the disease, with some of them already under treatment. Meanwhile, malaria, diarrhea and upper tract respiratory diseases and HIV/AIDS have taken heavy tolls on the community. It was evident from the study that while the Ahansonyewodea community had started down the path towards harnessing its countervailing power, AGA, on the other hand, has been moving towards moderation and improved corporate–community relations and social legitimacy, which are imperatives for its long-term survival as a company.

## Concluding Remarks

The study presented in this chapter has shown clearly the power imbalance between the Ahansonyewodea mining community and combined corporate and state power supplemented by invisible power from international financial institutions like the World Bank/IMF and their allies. Nonetheless, Ahansonyewodea, with active support from rights-based

CSOs/NGOs, including WACAM, CEPIL and ISODEC, has over time nurtured and used countervailing power in ways that have influenced the configuration of power within the extractive sector. The struggle of the people of the Ahansonyewodea community against the tyranny and impunity of a mining MNC over the years aided by these rights-based CSOs/NGOs is only one example among countless cases across Ghana's several mining enclaves. And yet, it show how mining communities are nurturing and building their own countervailing power and using this power to 'check power so that power balances'. For instance, the struggles of Ahansonyewodea and those of similar mining communities have created greater awareness (both local and international) of the adverse effects of gold mining. The same struggles backed by pressure from rights-based CSOs/NGOs had compelled CHRAJ, an independent body established by the Constitution, to undertake an investigation into allegations of human rights violations in forty-two mining communities across four regions in Ghana. The report, published in March 2008, concluded that there was evidence of widespread violations of human rights of individual members of communities and communities' collective rights (CHRAJ 2008). The CHRAJ report not only indicted the mining companies but had also inflicted severe reputational damage on them, thereby curbing their impunity to some extent. According to the coordinator of the Third World Network-Africa (cited in Anyidoho and Crawford 2014), mining companies today are having to defend themselves in ways that they did not ten years ago. Beyond this, they are less able to undermine local livelihoods and violate rights with impunity, while the government, as well as the World Bank's IFC, is no longer able to simply ignore criticisms within a democratic context. Similarly, today, unlike ten years ago, mining companies, with pressure from their shareholders, are making positive overtures to their host communities including Ahansonyewodea in their quest for enhanced social legitimacy. Many of the companies have set up community relations departments for effective community engagements that admit communities to the decision-making table and in ways reflect noticeable modifications in the alignment of power.

In conclusion, the presented study shows that even though asymmetrical power relations indisputably still exist between mining MNCs and their host communities like Ahansonyewodea, it is also a fact that the latter have, over the last twenty years or more, fostered and accumulated countervailing power, which they have used to curb the excesses and impunity of the former.

## Notes

1. WACAM was formerly an acronym for the Wassa Association of Communities Affected by Mining. However, in 2009, the organization changed its name simply to WACAM to reflect the fact that its operations had expanded beyond the then Wassa District to mining communities in other parts of Ghana. In Akan, *wacam* means "I have been bitten" or "I have been disturbed" which, it was thought, reflected the experiences of mining communities.
2. 'Galamsey' is the popular name in Ghana for illegal artisanal mining.
3. The Wassa ethnic group is one of the largest occupying the western region of Ghana, with much of their lands rich in gold.
4. AngloGold Ashanti (AGA) mining company was formerly Ashanti Goldfields Corporation (AGC) until the latter merged with AngloGold (South Africa) in 2004 to become AngloGold Ashanti (AGA).
5. Illegal mining is a common phenomenon in Ghana, where people mine for gold, mainly by artisanal mining, without the appropriate licence.
6. The International Finance Corporation (IFC), a subsidiary of the World Bank, is a major financier of several large-scale mining and oil and gas projects.

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# 4

# Augmenting Small Farmers' Income Through Rural Non-farm Sector in India: Role of Information and Institutions

**Meenakshi Rajeev and Manojit Bhattacharjee**

## Introduction

As has occurred in many developing countries, the Indian economy experienced a decline in the share of agricultural output in gross domestic product (GDP) with the growth of the economy, where the share of agriculture and allied activities in the GDP )reduced from 58.81 per cent in 1950–51 to around 17.39 per cent in 2012–13.[1] However, the decline in the share of the farm sector output in GDP has not kept parity with the share of the sector in total employment, implying that a large percentage of farm households (around 50 per cent) remain dependent on a small income. In addition to low income, the agricultural sector is faced with frequent supply-side shocks, such as inadequate rainfall or floods, which

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cause fluctuations in its growth rates, with instances of even negative growth not unknown. For example, the growth rate of the agricultural sector was 1.5 per cent in 2012–13, 4.2 per cent in 2013–14, and −0.2 per cent in 2014.[2] Such trends create enormous uncertainty in the minds of farmers, around 80 per cent of whom operate on marginal and small landholdings and have meagre savings. In this backdrop, the rural non-farm sector (RNFS) has the potential to alleviate the agrarian distress of farmers by providing means of generating additional income as well as acting as a risk-mitigating mechanism.

While the farm sector includes activities like crop production, animal husbandry, plantation and forestry, the non-farm sector includes all other economic activities, including small food/agro processing units, retailing, wholesaling, storage-related activities, house-based cottage industries (bamboo or say cane based), weaving and so on (Haggblade et al. 2007). As a result, the products of agriculture and allied activities often enter as an input for the non-farm sector and help generate additional income and employment. In other words, the complementary relationship that often exists between the farm and non-farm sectors is important, and it allows for diversification within farms.

Early literature in the area of economic development (Lewis 1954; Ranis and Fei 1961, 1963) considered the transfer of resources such as land and labour from the rural (traditional) sector to the urban (modern) sector as one of the essential prerequisites for the development of less-developed economies. Subsequent developments in theoretical research in this area pointed to problems with such models, showing the emergence of excess labour in urban centres in equilibrium, which could not be fully absorbed through expansion of the urban sector, which would only lead to fresh migrations (Harris and Todaro 1970). One of the solutions envisioned in this context was the development of a robust RNFS (Haggblade et al. 2007).

The non-farm sector, however, was not given the same level of importance that it has now; it was originally presumed to be inefficient and incapable of sustaining competition with urban manufacturing enterprises and imported goods (Hymer and Resnick 1969). This perception changed with the advent of the green revolution in the late 1960s to the early 1970s, which succeeded in increasing farm incomes through agricultural growth, thereby creating non-farm employment opportunities, which has been accounting for an increasing share of rural employment as well. If we examine NSSO Employment–Unemployment survey data from different cycles, we observe that the percentage of households that have non-agriculture as the principal activity increased from 29 per cent in 1983–84 to 32 per cent in 1993–94. It further increased to 37 per cent in 2000–01 and to 45 per cent in 2011–12. Within the non-farm sector, self-employment in non-agriculture also showed an increase from 12 per cent in 1983–84 to 16 per cent in 2011–12. In addition, several households are also engaged in non-farm activities as a subsidiary occupation (Table 4.5 in appendix).

The development of a suitable non-farm sector in a region, it is hoped, will reduce migration pressures into urban areas by providing better local alternatives for earning incomes and can subsequently reduce urban unemployment and congestion (Lanjouw and Lanjouw 2001). However, we must note that the non-farm sector is not homogeneous and not all activities spur growth to the same extent. One can broadly segregate the types of work in the non-farm sector into three categories: casual non-farm wage employment, self-employment and regular salaried employment. Empirical evidence shows that earnings are low in casual non-farm wage employment and smaller own account enterprises (OAEs) compared to that of regular salaried work (Lanjouw 2007). However, the contribution of regular salaried employment in total workforce is not very significant in developing countries (Lanjouw 2007). This indicates the need for larger non-farm enterprises that are capable of creating widespread employment opportunities for the rural labour force.

At the household level, the desire to engage factors of production (labour, capital) present in households in income-generating activities, especially in non-farm activities, is a problem of constrained maximization of earnings, subject to both resource limitations and risk minimization (Reardon et al. 2006). Most farmer households in India (a large majority of which possess only small or marginal landholdings) often lack the resources or required attitude towards risk to establish such enterprises and are thus driven into self-employment in traditional manufacturing or service-based activities, which are the least remunerative, and this is clearly a prominent concern at the national policy level. Nevertheless, the increasing importance of diversification into non-farm activities in rural areas has been highlighted in a number of studies in geographically diverse zones across the world, and the literature has consequently begun to term this practice *pluriactivity* (Reardon et al. 2006). Theoretically speaking, pluriactivity is expected to be more prominent in poorer regions, where specialization is thought to be difficult. What is clear is that self-employment in small businesses is present in the RNFS (in India as well as most developing nations), and the structural change required to move towards creating adequate salaried employment opportunities for these workers (for example by establishing large-scale rural manufacturing and service units or creating incentive-based policies that attract companies to meaningfully expand their production into rural areas). Therefore, we look towards the determinants of income among self-employed workers in the non-farm sector to identify possible support areas and bottlenecks to increased earnings as an alternative approach to allowing the non-farm sector to augment farm incomes and play a more pivotal role in the rural development process.

We look more specifically at small and marginal farm households that, due to small landholdings, cannot increase their income from agriculture beyond a certain level. The potentially positive impacts of developing the non-farm sector are not confined to small and marginal farmers. It can be especially useful to landless tenant farmers, who cannot otherwise sustain a livelihood through agriculture (cultivation). In this study, we incorporate such farmers as well if the land they cultivate are smaller in size (less than two hectares). Needless to say, an expansion of the non-farm sector can reduce unemployment through an increase in labour demand and thereby help raise wages in rural labour markets. This will contribute to a more equitable income distribution and a stable demand for agrarian goods through consumption linkages (Lanjouw and Lanjouw 2001). Given such beneficial impacts of non-farm activities for ensuring sustainability for small and marginal farmers, it is necessary to examine the factors that affect the development of the sector. Theoretically, these factors are a function of three major so-called determinants (Reardon et al. 2006), namely, incentives to invest and participate in different activities (in the form of possible earnings from doing so[3]), risks attached to each activity that materialize as deviations from possible or expected earnings, and household capacity to undertake each activity, which arise from a given household's stock of different types of capital (physical, financial, human, social and cultural). It is often observed that, to reduce households' exposure to risk, most farmers take a stab at establishing small OAE (mostly services) using only household labour so as to reduce the costs of business failure. Additionally, the presence of stabilized agricultural incomes (through crop insurance) is thought to be a means of inducing farmers to adopt (risky) non-farm activities, which themselves have the potential to provide some income security in the face of agricultural output and price fluctuations. In this context, as already mentioned, it is indeed important to concentrate on the small and marginal farmers category for whom these additional income-generating activities are essential for them to escape poverty and can act as risk-mitigating mechanisms, as this group is often the most seriously exposed to these risk and capital constraints. In the case of less-developed economies, many times we notice that a lack of information regarding possible activities and funding acts as a major impediment (Rajeev et al. 2015); hence, we consider it necessary to examine the role of these factors in the development of the non-farm sector. On the other hand, large farmers usually become fully involved in agricultural activities, and if they wish to engage in non-farm activities, a lack of neither information nor funds serves as a constraining factor.

A large number of studies focused on the non-farm sector have looked into the *linkages* between farm and non-farm activities and informal business in rural areas; an exhaustive review of the literature is beyond the scope of this chapter. A few scholars (von Braun and Pandya-Lorch 1991) have argued that the relation between farm and non-farm employment is an inverse one, in the sense that underdeveloped agriculture leads to the development of the non-farm sector in a region, implying that the rural non-farm activities arise mainly because of certain push factors. In other words, the general conclusion of these papers is that if agriculture is incapable of generating enough employment, it leads to the growth of the RNFS (Bhaumik 2002). Other studies claim that the growth of farm and non-farm sectors is complementary in nature (Mellor and Lele 1973; Chakrabarti et al. 2011). Mellor and Lele (1973), for instance, argued that the growth in agriculture increases the income of farm households, and this in turn raises demand for rural non-farm goods and services, thereby developing the non-farm sector through consumption linkages. Recent studies, however, have accepted the coexistence of both (e.g. Haggblade et al. 2007; Chakrabarti et al. 2011) and maintain that the nature of agricultural development in a state largely determines the nature of the non-agricultural sector. Several authors across the globe also focus on the fact that a household engages in multiple income-generating activities, the aforementioned pluriactivity, to enhance their economic condition. Reardon et al. (2007) provide a summary of certain studies (such as Barrett et al. 2001, 2005) showing that Chinese households and households and communities in Kenya, Ivory Coast and Rawanda follow development paths that include the adoption of alternative income-generating activities in the farm and non-farm sectors. On the other hand, Latin American households specialize in one activity (Reardon et al. 2007).

While the RNFS has developed in India over the years, the extent of pluriactivity and the factors that persuade a small farmer to take up these activities is not addressed adequately; this research attempts to fill that gap by focusing, among other factors, on the role of information and networking and financial institutions. Our initial analysis of data reveals that most of the non-farm enterprises are OAE, meaning they have no hired labour. They also have low levels of gross value added. One of the reasons for not being able to go beyond such subsistence enterprises, as mentioned earlier, is the lack of knowledge of profitable production possibilities and marketing opportunities (Rajeev et al. 2015). Networking and education may help to overcome such shortcomings. In addition, institutional factors, such as a lack of access to credit, or risk-mitigating instruments, like insurance through financial institutions, may also impact the development of the non-farm sector. However, the role of these factors has not been rigorously tested in the existing literature.

In this background, the current essay unfolds in four sections. The next section (following this introductory section) describes the data source and examines the nature and extent of non-farm business among small and marginal farmers. The section on econometric model utilizes a Tobit model to examine the role of information, funding opportunities and other factors in the development of RNFS, especially for small and marginal farmers. A concluding section ends the chapter.

## Data Sources and Certain Basic Indicators

This chapter is based on data collected through the India Human Development Survey (IHDS), carried out in 2011–12 through a joint research endeavour of the University of Maryland, USA, and the National Council of Applied Economic Research, India. The survey was conducted in two rounds known as IHDS–I (2004–5) and IHDS–II (2011–12), and in this study we use the more recent database (2011–12). It is a multi-topic survey of 42,152 households, including 1503 villages and 971 urban neighbourhoods across India. Data were collected under two categories. The first is related to the households under which enquiry was being made about household income, expenditure, remittances and so forth. The second category considers institutional aspects, which cover information about village-level infrastructure such as health, education and so on.

From the IHDS-II survey, we isolated data for small and marginal farmers, and an analysis was carried out using the unit record household-level data. A marginal farmer is defined as a farmer cultivating land less than one hectare in size, while small farmers are those who cultivate between one and two hectares of land.

A land size-wise analysis of farmer households in rural areas shows that 75.1 per cent of farmers in major states are small, while marginal farmers comprise about 15.1 per cent, totalling about 90 per cent of farmers in the small and marginal category. These numbers are, however, not free of regional disparities. For example, in terms of share of small and marginal farmers, West Bengal (91.7 per cent) ranks the highest, followed by Bihar (86.9 per cent) and Uttar Pradesh (86.5 per cent), while Maharashtra (52 per cent) ranks the lowest.

Analysing the major occupational activities of small and marginal farmer households (Table 4.4 in appendix), it is observed that cultivation continues to be a main activity for the majority across India. An interesting observation, however, is the relatively low share of cultivation (less than half) in states like West Bengal, Uttar Pradesh and Tamil Nadu, which have a very high percentage of small farmer households. These are also the states with the highest percentage of households engaged in wage labour (agricultural and non-agricultural). Apart from cultivation, wage labour (both agricultural and non-agricultural) is found to be the second most significant occupation, with the exception of Punjab, Haryana and Assam. Salaried occupation forms a significant group in states like Assam and Haryana, where wage labour employment is low. Apart from this, farmers are engaged as artisans and petty shopkeepers, but the fraction of households having them as the main occupation is rather low (Table 4.4 in appendix).

If we consider the main occupations of the sample households, only 8 per cent of small and marginal farmers are involved in non-farm business activity as a principal activity. However, if we look at non-farm business, both as a principal activity and as a subsidiary occupation, then this percentage naturally increases (to around 14 per cent) but not to a substantial level (Table 4.5 in appendix). As far as the return from non-farm activities is concerned for small and marginal farmers, our analysis, based on IHDS data, shows (Table 4.6 in appendix) an average earning of more than Rs 60,000 per annum, which is a non-trivial amount in light of earnings from the farm sector.[4] However, in an absolute sense, this is not a substantial amount, and Table 4.6 also reveals that only a small percentage of farmers are engaged in non-farm activities. Thus, it is important to see what factors act as a deterrent to take up or enhance non-farm activities.

This led us to concentrate on a possible major constraint, namely, access to funds for investment in non-farm businesses. Examining accessibility to credit from the unit record data we observe that at an aggregate level, the share of households that have received loans from all sources in the last five years is around 65 per cent. A state-wise analysis reveals more or less similar figures, with the notable exceptions of Assam (18.9 per cent), Gujrat (31 per cent) and Haryana (43 per cent). This is a matter of serious concern as these are also the states with the highest fraction of marginal farmer households (Table 4.7 in appendix).

As far as access to loans from formal institutions is concerned, it is observed that at the national level only 27.7 per cent of households have received credit. It is also observed that around 3 per cent of small and marginal farmers who applied were rejected by a formal institution, and 69.3 per cent of households did not apply for a loan (Table 4.8). Those households which did not apply for a loan can be risk rationed as well in the sense that the fear of not being able to repay led them to avoid taking out a loan. This is where the lack of information and financial illiteracy can play a role. In the next section, we discuss some of these possible factors that may have impacted the development of RNFS amongst the small and marginal farmers who are in need of additional income for their sustenance.

## Understanding the Determinants of Non-farm Income

Non-farm income can be broadly categorized into two major activities—casual wage or salary earnings and earnings from non-farm self-employment activity or business income. Since employment generation within the rural economy critically depends on business activities that take place within the local economy, we focus here on the determinants of non-farm business income. In the context of wage income, the literature argues that such income in rural developing economies are small and casual in nature and hence does not help households earn sustainable income and rise out of poverty (Lanjouw 2007).

### Variables for Analysis: Dependent Variable

The dependent variable is household non-farm business income. It is important to note that around 85 per cent of small and marginal farmer/cultivator households in the sample have no non-farm business. For these households, non-farm business income was assigned as zero. In the sample, 1706 households had positive business income and 9 households had negative business income. For the regression analysis, we treated these nine households as earning zero income (to avoid the problem of outliers).

## Explanatory Variables

The explanatory variables included in our analysis comprise a set of variables that pushes a small or marginal farmer/cultivator household (including small tenant farmers) to adopt non-farm businesses and variables that may create an atmosphere conducive to taking up non-farm activities (pull factors). Both these factors can be idiosyncratic in nature or be common region-specific factors.

### Push Factors

The farm households are 'pushed' into non-farm activities primarily because of uncertainty in farm income or due to poor economic status, which may result either from possessing smaller sized landholdings or a lower agricultural yield rate in a region. A non-farm business in these situations generally acts like insurance.

Thus, the economic condition of a household is an important push factor which can be indirectly captured through landholdings. To identify the effect of landholdings on non-farm business income, we included the size of cultivated land as an explanatory variable. However, sometimes farm households have other sources of income, such as regular salary or wage income. In these cases, no push effect may occur, even though agricultural income may be low. The effect of alternative sources of income, too, is captured in our model by considering two variables, salary and wage incomes of households. These two factors are not combined to form a single variable because of their distinguishing characteristics such as the larger and regular nature of salaries compared to wages.

Since the agricultural sector is characterized by the presence of uncertain shocks, farming households need to insure themselves against risks, and non-farm activities can act as a risk-mitigating mechanism. There are generally three kinds of risk that farmers face, production risk, price risk and input risks (Rajeev et al. 2015). To protect against these risks, a farming household may attempt to save more as savings can acts as a risk-mitigating mechanism. Sometimes insurance can be informal in nature, such as in the form of sharecropping, where the farm household is a tenant who obtains assurance of help from the landlord (Braido 2003) in case of a distress situation. Access to credit can also be considered an instrument for helping to shield against adversity. In addition, there are formal insurance schemes pertaining to life, crops or health. The presence of any of these risk-mitigating factors may deter a household from taking up additional income-generating activities in the form of non-farm activities to shield against possible risks. One may also argue, on the contrary, that households having insurance may make greater investments in the non-farm sector since they need to maintain lower precautionary savings. Insurance may also provide a cushion and induce a household to take additional risk in some cases. Thus, the role of insurance in the case of enhancing non-farm activities needs to be empirically tested. We have considered dummy variables for sharecroppers, for households that have availed themselves of formal insurance schemes such as life insurance, health insurance or crop insurance and households that have access to credit. A discussion on access to credit is presented in the next section.

### Pull Factors

Non-farm activities are not always distress driven. As already mentioned, non-farm jobs may arise with an increase in agricultural surplus and resulting income-earning investment opportunities in the non-farm sector. The economic status of households captured by land size, salary or wage earnings, thus, can also act as a pull factor as households with higher income have resources for investments in non-farm activities.

In addition, if a region (here district) is economically advanced (as measured by median value of monthly per capita consumption expenditure of the respondents, MPCE), it can generate higher demand for non-farm products. Some of this demand may be for consumption purposes, while other demand may be for intermediary goods for production in the manufacturing or services sector. Since there are many districts in which the total number of households surveyed was less than twenty, taking the median value helped us to remove the effect of outliers. Agriculture yield could also have been used to capture the economic status of a region or a household. We used median MPCE instead of agricultural yield because yield may vary from one year to another based on the agricultural shocks that a region faces. India is geographically vast, and different regions face different climatic conditions at any given point in time. It is possible for a developed agricultural region to have a relatively low yield, while a less-developed region may not have an agricultural crisis in the year of survey. Temporary shocks such as drought have less impact on MPCE owing to the presence of a consumption ratchet effect. The state-specific dummy variables will capture other regional factors.

Access to credit, which can sometimes provide the necessary capital to invest in RNFS, can be an important pull factor. Access to credit can also boost agricultural productivity and surplus (Awotide et al. 2015) and, hence, increase non-farm income generation. On the basis of the given data, we observe that accessibility to financing can be measured in two ways: in terms of incidence of availing loans (number of loans within a specific time period) and the extent or size of loans. In the regression analysis, the incidence of availing loans is captured by including the number of times a household has availed loans in the last five years. Incidence can positively impact the dependent variable only if the incidence does not imply perpetual indebtedness resulting from income below subsistence level. The extent of accessibility is captured by the largest size loan the household has availed in the last five years.

Apart from the aforementioned factors, access to information relevant for taking up profitable non-farm activities may have a positive impact on actual starting of a non-farm business, and to capture this effect, we included two dummy variables, one relating to educational achievements and the other relating to access to media. Thus, the first dummy variable was formed by assigning households having members with secondary education the value 1 and the rest zero. Another dummy variable was formed whereby households with regular access to radio, TV and newspapers were assigned a value of 1; other households were assigned the value zero.

Social networking may impact non-farm business in a number of ways as it can provide necessary contacts for starting a business. Social contacts and networking can also aid access to low-cost inputs, market information and so on. Larger households are expected to have better social networking, as are households having members belonging to organizations such as Mahila Mandal, self-help groups (SHGs), religious bodies, unions, caste associations, *panchayat* and so forth. The caste affiliations of a household may affect social networking wherein generally higher-caste households in India are expected to reap such benefits. Each of these factors is included in the regression analysis.

In addition to that of social networking, households having more members may have an additional advantage in the labour market. These households can perform non-farm activity using family labour. Utilizing family labour reduces problems of moral hazard. In the regression analysis carried out, we have considered two variables to capture the number of household members. First, we included teenagers and adult members (between 14 and 60 years of age) and second, we considered senior family members and children. This was done because teenagers and adult members are expected to be more productive than children and older family members.

State-specific dummy variables included in the analysis are expected to capture several regional fixed effects. Table 4.1 provides explanations for the variables used in the analysis, and Table 4.2 presents the related descriptive statistics.

## Econometric Model

The dependent variable used here is per capita non-farm business income of small and marginal farmer households, excluding wage income. It is important to note that the dependent variable assumes a value of zero for a large number of observations because non-farm businesses are not established by all households. Under this circumstance, one may think of an ordinary least square model (OLS). However, circumstances in which the optimal choice for some individuals is itself a corner solution, i.e., $y = 0$, the literature suggests the use of a Tobit model (Woolridge 2002). This is because the

**Table 4.1** Notations and explanations of variables used in the analysis

| | |
|---|---|
| Cultivated land | Size of cultivable land held/cultivated by farming household (Including tenant farmers) |
| Wage earnings | Wage income of household |
| Salary earnings | Salary income of household |
| Forward caste | Forward caste = 1, others = 0 |
| Adult and teenage members | Number of adult and teenage members of household (between 14 and 60 years old) |
| Child and old members | Number of children (below 14 years) and senior household members (above 60 years) |
| Secondary education | Households with members having secondary education = 1, others = 0 |
| TV/radio/newspaper | If any household member is a regular user of TV, newspaper or radio, a value of 1 is assigned, otherwise zero |
| Social connections | Households having membership in, for example, Mahila Mandal, SHGs, chit fund schemes, political party, religious groups and cooperatives clubs were assigned a value of 1, otherwise 0 |
| Sharecropping | Sharecropper = 1, rest = 0 |
| Insurance | If the household has availed life, health or crop insurance = 1, others = 0 |
| Number of loans | Total number of loans availed in last five years |
| Largest loan size | Largest size loan in last five years |
| District median MPCE of farmers | Median monthly per capita consumption expenditure of small and marginal farmer households in a district |
| State-specific dummy variables | Represented by respective names |

*Source*: Created by Authors

use of a standard ordinary least squares model may lead to biased estimates of parameters.

The structural equation in the Tobit model is

$$y_i{}^* = X_i\beta + \varepsilon_{\mathrm{i}} \tag{1}$$

where $\varepsilon_i \sim N(0, \sigma^2)$ and $y_i$ is a latent variable that is continuous for values greater than *0*. The observed $y$ is defined by the following measurement equation:

**Table 4.2** Mean and standard deviations of variables used in regression

| Variable | Obs | Mean | Std. dev. | Min | Max |
|---|---|---|---|---|---|
| Non-farm business income | 12,181 | 8972.049 | 58134.48 | 0 | 2,457,000 |
| Cultivated land | 12,181 | 1.273837 | 1.346881 | 0 | 50 |
| Wage earnings | 12,181 | 18398.42 | 28555.1 | 0 | 308,500 |
| Salary earnings | 12,181 | 13825.64 | 54201.47 | 0 | 1,080,000 |
| Forward caste | 12,181 | 0.24177 | 0.428173 | 0 | 1 |
| Adult and teenage members | 12,181 | 3.5823 | 1.627976 | 0 | 16 |
| Children and senior members | 12,181 | 2.107134 | 1.684304 | 0 | 19 |
| Average age of household head | 12,181 | 47.79017 | 11.89173 | 17.5 | 89 |
| Secondary education | 12,181 | 0.358099 | 0.479461 | 0 | 1 |
| TV/radio/newspaper | 12,181 | 0.432723 | 0.495474 | 0 | 1 |
| Social connections | 12,181 | 0.623594 | 0.484504 | 0 | 1 |
| Sharecropping | 12,181 | 0.154092 | 0.361052 | 0 | 1 |
| Number of loans | 12,165 | 2.069955 | 3.059471 | 0 | 60 |
| Largest loan size | 12,164 | 43153.06 | 143058.8 | 0 | 7,500,000 |
| Insurance | 12,099 | 0.31358 | 0.463967 | 0 | 1 |
| District median MPCE of farmers | 12,181 | 17435.89 | 5965.188 | 6401.33 | 48373.34 |
| Tamil Nadu | 12,181 | 0.021098 | 0.143718 | 0 | 1 |
| Andhra Pradesh | 12,181 | 0.055578 | 0.229115 | 0 | 1 |
| Karnataka | 12,181 | 0.127822 | 0.333905 | 0 | 1 |
| Maharashtra | 12,181 | 0.094574 | 0.292637 | 0 | 1 |
| Gujarat | 12,181 | 0.03998 | 0.195921 | 0 | 1 |
| MP | 12,181 | 0.121172 | 0.326341 | 0 | 1 |
| Orissa | 12,181 | 0.079714 | 0.270862 | 0 | 1 |
| West Bengal | 12,181 | 0.048518 | 0.214867 | 0 | 1 |
| Assam | 12,181 | 0.023972 | 0.152967 | 0 | 1 |
| Bihar | 12,181 | 0.048929 | 0.215728 | 0 | 1 |
| Uttar Pradesh | 12,181 | 0.154667 | 0.361602 | 0 | 1 |
| Rajasthan | 12,181 | 0.105492 | 0.307199 | 0 | 1 |
| Haryana | 12,181 | 0.046794 | 0.211206 | 0 | 1 |

*Note*: Average income from salary is less than that from wages because there are more wage earners in the sample than salary earners. Source: Computed using IHDS 2011–12 data

$$\left.\begin{aligned} y_i &= y_t^*, if\, y_i^* > 0 \\ y_i &= 0, if\, y_i^* \leqq 0 \end{aligned}\right\}$$

The Tobit model is estimated using the maximum likelihood procedure, and the likelihood function takes the following form:

$$L = \prod_i^N \left[\frac{1}{\sigma}\phi\left(\frac{y_i - X_i\beta}{\sigma}\right)\right]^{di}\left[1 - \Phi\left(\frac{X_i\beta}{\sigma}\right)\right]^{1-di}$$

The parameters in this model, i.e. βs and σ, are estimated from the log-likelihood function. Here, β is the coefficient of the explanatory variable and σ is the standard error of the residual term.

### Endogeneity and Other Concerns

There is a possibility in our analysis of an endogeneity between non-farm business income and the size of a loan. A Durbin–Wu–Hausman test was carried out to examine this. The test procedure was carried out in two steps: first, loan size was regressed on all exogenous variables, and the estimated value of the residual was obtained. In the second step, the residual term was included in the regression analysis. However, the test did not support the presence of an endogeneity because the coefficient of the residual term was insignificant.

Another problem faced in cross-sectional analysis is the presence of heteroscedasticity. A robust standard error was used to deal with this. We have also used four regressions to show the robustness of the model. Most of the coefficients did not change sign or significance with a change in model specification.

## Results

Four regressions carried out to understand the impacts of different agricultural and other related (push and pull) factors on non-farm income are presented in Table 4.3. The first regression included a set of idiosyncratic socio-economic variables, the second regression included variables which capture households' access to credit and insurance as well as information and social networking–related variables. The third model considers the impacts of region-specific variables on the dependent variable. The last model incorporates all the variables. We considered those variables as significant which are significant in all the regressions.[5]

The sign of the regression coefficients of the major variables can be summarized as follows. The size of cultivable land, wage earnings and salary earnings show a negative relation with the dependent variable in all regressions. Variables capturing access to credit and information (measured through access to education and media) possess a positive relation with non-farm business income. As far as insurance is concerned, formal insurance has a positive impact on non-farm business income, while insurance or security which may be provided through sharecropping has no significant impact on the dependent variable. The coefficient of the caste variable is also not statistically significant. The number of adult and teenage members of a household has a positive impact on non-farm income. The total number of elderly, aged and children members is not statistically significant in the first regression. District median MPCE bears a positive, statistically significant sign in relation to the dependent variable (Table 4.3).

The presence of a positive relation between median MPCE of farm households in a district and non-farm business income shows that non-farm businesses are established more often and generate higher income in agriculturally developed regions. This can perhaps happen either because of consumption linkage where a farm surplus generates demand for non-farm goods and thereby augments non-farm income or because the agricultural surplus is invested in the non-farm sector.

Institutional factors such as access to credit and insurance can also have a positive impact on non-farm income. A farm household usually avails itself of credit for farm activities as the supply of such credits is more due to priority sector lending norms. Credit for non-farm activities is comparatively less prevalent. But, as mentioned earlier (Rajeev and Vani 2011), credit for agriculture can enhance productivity and thereby create surplus for the non-farm sector. Similarly, access to insurance from formal

**Table 4.3** Regression results with non-farm business income of household as dependent variable (Tobit model)

| Explanatory variables | Coefficient | Coefficient | Coefficient | Coefficient |
|---|---|---|---|---|
| Cultivated land | −11037.5** (4844.1) | | | −14387.2*** (5697.2) |
| Wage earnings | −2.3*** (0.3) | | | −2.13 *** (0.28) |
| Salary earnings | −0.4*** (0.1) | | | −0.53*** (0.11) |
| Forward caste | 1352.2 (6539.2) | | | −7551.6 (6903.97) |
| Adult and teenage members | 34126.8*** (3921.1) | | | 27438.45*** (3478.47) |
| Child and senior members | 874.7 (1862.8) | | | 3796.251** (1934.70) |
| Average age of household head | −1442.5*** (279.2) | | | −1384.55*** (277.3) |
| Secondary education | | 54650.9*** (8156.6) | | 32790.59*** (6745.3) |
| TV/radio/ newspaper | | 30228.7*** (6005.7) | | 32207.89*** (6675.07) |
| Social connections | | 3556.5 (5852.4) | | 10793.67* (6197.4) |
| Sharecropping | | −5319.4 (7640.6) | | −11967.6 (8742) |
| Number of loans | | 2615.9*** (721.8) | | 1827.699** (752.09) |
| Largest loan size | | 0.1*** (0.034) | | 0.1028*** (0.03) |
| Insurance | | 45222.2*** (7697.6) | | 39640.1*** (7232.04) |
| District median MPCE of farmers | | | 5.07*** (0.909) | 3.855*** (0.87) |
| Tamil Nadu | | | −171,254 (28353.74) | −19093.2 (26218.28) |
| Andhra Pradesh | | | −87576.3*** (22322.09) | −64963.8*** (20900.03) |
| Karnataka | | | 56846.62*** (19881.33) | 72952.11*** (20215.33) |
| Maharashtra | | | −5070.48 (20684.2) | −902.446 (19220.1) |
| Gujarat | | | −38381.87 (26166.28) | −28,496 (25225.92) |

(*continued*)

**Table 4.3** (continued)

| Explanatory variables | Coefficient | Coefficient | Coefficient | Coefficient |
|---|---|---|---|---|
| MP | | | 34362.9* | 51951.59*** |
| | | | (21320.6) | (20759.03) |
| Orissa | | | 56204.59** | 47738.42** |
| | | | (24721.6) | (23581.11) |
| West Bengal | | | 67630.58*** | 71108.17*** |
| | | | (24298.66) | (23303.47) |
| Assam | | | 17075.56 | 17928.67 |
| | | | (26074.82) | (25481.32) |
| Bihar | | | 60866.41** | 58259.37** |
| | | | (26257.42) | (25616.65) |
| Uttar Pradesh | | | 66708.42*** | 59754.26*** |
| | | | (22519.93) | (21000.91) |
| Rajasthan | | | 26042.34 | 34923.31* |
| | | | (20696.31) | (19565.17) |
| Haryana | | | 2742.75 | −2431.87 |
| | | | (21337.86) | (20151.75) |
| Constant | −226065.5*** | −283952.7*** | −347416.3*** | −357816*** |
| | (26736.09) | (29568.64) | (46609.73) | (49931.9) |
| Number of observations | 12,181 | 12,079 | 12181.0 | 12,079 |
| Uncensored observations | 1688 | 1667 | 1688.0 | 1667 |
| F | 11.79 | 13.16 | 4.88 | 3.97 |
| Log-pseudo-likelihood | −25518.229 | −25,316 | −25742.6 | −24,982 |
| Sigma | 189400.9** | 190389.9** | 197157.8** | 181125.7** |

*Note*: *** denotes significance at 1 per cent, ** denotes significance at 5 per cent and * represents significance at 10 per cent level. Figures in parentheses are standard errors of coefficients

institutions helps farm households reduce their precautionary savings and invest the surplus in non-farm activities.

One expects relatively large farmers (amongst the small and marginal farmers) and households having additional wage and salary income to generate higher agricultural surpluses compared to the other category. However, when we consider the relation that non-farm business income has to the size of cultivated land and wage and salary earnings, the regression reveals a negative relation, implying that farm households with relatively smaller farm surpluses are earning more from non-farm business. One possibility, as mentioned already in the previous section, could be specialization by relatively larger farmers on farm business from the cultivation of (comparatively) larger land areas by family members, which creates a shortage of family labour for non-farm activities. Hiring labour can be considered a possibility, but the presence of more supervision and labour costs may reduce returns on investment. In this context, a positive sign of the coefficient of the variable 'adult and teenage members' provides further support to this line of argument. The regression result shows that households having more adult and teenage members earn higher from non-farm activities, which, to some extent, demonstrates the role played by family labour in generating non-farm income. The argument that a labour shortage arises for non-farm activities can also be considered for households having regular salaried and wage-earning members. There could be other reasons as well. For instance, higher earnings in the farm sector or additional wage and salary earnings may lead to a backward-bending labour supply curve for the non-farm sector since households with higher income may prefer leisure to work.

If the hypothesis of family labour shortage is accepted, then it implies that non-farm activities by farmer households are mainly explained by the existence of surplus labour in the family. From the data it is observed that only 2.6 per cent of small and marginal farmer households involved in non-farm businesses incur expenditures upon hiring labour for non-farm business. Thus, non-farm activity is mainly carried out using family labour. However, this does not negate the argument of a leisure–labour trade-off, particularly for regular salaried individuals who earn more than wage earners.

The other important variables that positively influence non-farm business incomes are access to education and regular access to newspapers, radio or television. These factors create 'pull' effects to the non-farm sector, as noted earlier, driving investments to the sector so as to diversify income sources and safeguard against agricultural risks such as crop failure. Thus, our econometric exercise appears to reveal that significant pull factors promote expansion in the non-farm sector, which further supports the hypothesis that rural non-farm activity is driven by excess labour supply in households, which might seek to utilize this labour to diversify incomes owing to income-generating opportunities in the

RNFS. The regression results also show the positive impact of insurance on non-farm business income, whose channels of impact are explained earlier.

## Conclusions

The objective of this essay was to identify the factors that induce a small or marginal farmer household to conduct non-farm business. These households are considered for our analysis because they are low income and, due to their smaller landholdings, cannot increase their income beyond a certain level through farming activities.

Our econometric exercise reveals that the factor that could deter a household from establishing a non-farm business is the absence of family labour since hired labour can be relatively expensive and may make the business unprofitable. Thus, it was observed that non-farm business is conducted mainly with the help of family labour, and a lack of excess labour in a family will tend to discourage a household from investing in any non-farm business. This happens also owing to the fact that non-farm activities are primarily small businesses and earn low returns.[6] Thus the scale of operation of non-farm activities should change, and some of the factors that may help in this regard are accessibility to finance and information. We therefore considered some of these indicators in our analysis.

It was found that access to credit, insurance, education and media (access to both education and media can help to avail information regarding possible non-farm activities and their marketing opportunities) has a positive role in non-farm business income. By access to credit we mean access to both farm and nonfarm loans. In fact, credit for agricultural purpose, which are easier to access due to priority sector lending norms can augment the nonfarm income through productivity and production linkages. This clearly shows the role of financial institutions in the development of non-farm activities. The presence of insurance of any kind through financial institutions provides a shield against possible risks, so funds can be utilized for non-farm investments rather than as savings. Thus, both funding opportunities and the availability of cost-effective risk mitigation instruments can make it easier for households to engage in non-farm activities.

It was also observed that non-farm business is largely associated with the development of a given region. A relatively developed region generates higher non-farm income for farmers perhaps through consumption and production linkages. Needless to say, consumption linkages help to generate demand for goods produced in the non-farm sector.

However, we found that only a small percentage of households are engaged in non-farm activities. A lack of financial assistance for non-farm activities and better knowledge about possible profitable business opportunities certainly act as deterrents. The absence of knowledge of marketing is another major factor. To enhance the adoption of non-farm activities and increase the income of small and marginal farmers through non-farm activities, these lacunae need to be addressed adequately.

## Notes

1. The figures on the shares of each sector in total GDP are based on current prices and were taken from Central Statistical Office (CSO) Data.
2. Figures were obtained from the Economic survey 2016–17, Government of India.
3. We consider in our subsequent analysis the number of members in a household who can be used for non-farm activities started by the household. Hired labour can be more expensive, thereby reducing possible earnings.
4. Rajeev and Vani (2011) shows that about 70 per cent of marginal farmers' net profit from the farm sector is close to zero.
5. We also ran a regression with per capita non-farm income as dependent variable and arrived at qualitatively similar results.
6. This was observed during our survey in various parts of the country (Rajeev and Bhattacharjee 2017).

# Appendix

**Table 4.4** Distribution of farmer households (small and marginal) on the basis of main occupation (rows add up to 100)

| States | Cultivation (%) | Agriculture-related activities (%) | Agricultural wage labour (%) | Non-agricultural wage labour (%) | Artisans (%) | Small shop (%) | Organized business (%) | Salaried (%) | Profession (%) | Pension/ rent etc. (%) | Other (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Punjab | 48.0 | 0.6 | 2.1 | 13.1 | 0.3 | 5.7 | 0.2 | 14.7 | 0.2 | 6.3 | 8.8 |
| Haryana | 57.5 | 1.4 | 1.7 | 8.3 | 0.2 | 4.9 | 1.0 | 16.7 | 0.5 | 5.5 | 2.3 |
| Rajasthan | 52.5 | 0.6 | 1.6 | 25.0 | 0.5 | 5.2 | 0.2 | 9.0 | 0.5 | 3.0 | 2.0 |
| Uttar Pradesh | 46.8 | 0.7 | 7.7 | 24.9 | 0.5 | 5.8 | 0.2 | 7.0 | 0.4 | 2.4 | 3.5 |
| Bihar | 51.8 | 3.7 | 10.7 | 13.3 | 0.4 | 5.2 | 0.8 | 6.6 | 0.3 | 3.0 | 4.0 |
| Assam | 68.6 | 0.1 | 0.4 | 7.7 | 1.8 | 5.4 | 0.1 | 12.2 | 0 | 3.2 | 0.5 |
| West Bengal | 43.0 | 0.5 | 20.5 | 13.5 | 0.2 | 6.8 | 0.2 | 8.0 | 0.6 | 3.8 | 2.9 |
| Orissa | 51.4 | 0.1 | 6.7 | 22.8 | 1.5 | 4.0 | 1.1 | 6.5 | 0.6 | 3.9 | 1.3 |
| Madhya Pradesh | 59.4 | 1.2 | 6.5 | 19.0 | 0.1 | 5.5 | 0.1 | 4.3 | 0.2 | 2.2 | 1.7 |
| Gujarat | 65.2 | 4.7 | 14.0 | 6.9 | 0.8 | 1.8 | 0.2 | 5.0 | 0 | 1.2 | 0.1 |
| Maharashtra | 71.3 | 1.2 | 12.9 | 3.3 | 0.6 | 1.5 | 0.2 | 3.4 | 0.1 | 4.0 | 1.6 |
| Andhra Pradesh | 49.2 | 0.7 | 31.6 | 7.0 | 1.5 | 2.3 | 0.3 | 6.1 | 0 | 0.6 | 0.7 |
| Karnataka | 58.0 | 0.7 | 22.9 | 5.1 | 1.1 | 4.1 | 0.4 | 5.1 | 0.1 | 2.0 | 0.5 |
| Tamil Nadu | 41.1 | 9.5 | 17.1 | 15.4 | 0 | 4.6 | 0.6 | 5.5 | 0 | 1.6 | 4.5 |
| All major states | 53.0 | 1.5 | 11.9 | 15.8 | 0.7 | 4.7 | 0.4 | 6.8 | 0.3 | 2.7 | 2.4 |

*Source*: Computed using IHDS II (2011–12)

**Table 4.5** Percentage of small and marginal farmer households having first business, second business and third business

| States | First business | Second business | Third business |
|---|---|---|---|
| Punjab | 18.0 | 2.0 | 0.2 |
| Haryana | 13.9 | 2.4 | 0.5 |
| Rajasthan | 13.0 | 1.4 | 0.0 |
| Uttar Pradesh | 15.5 | 1.0 | 0.0 |
| Bihar | 12.9 | 0.5 | 0.3 |
| Assam | 11.5 | 1.2 | 0 |
| West Bengal | 16.5 | 1.3 | 0.2 |
| Orissa | 11.8 | 0.7 | 0.1 |
| Madhya Pradesh | 13.5 | 0.9 | 0.1 |
| Gujarat | 7.1 | 0 | 0 |
| Maharashtra | 9.3 | 0.8 | 0.2 |
| Andhra Pradesh | 6.9 | 0.2 | 0 |
| Karnataka | 17.6 | 1.9 | 0.4 |
| Tamil Nadu | 11.2 | 0.4 | 0 |
| All major states | 13.0 | 0.9 | 0.1 |

*Source*: Computed using IHDS II (2011–12)

**Table 4.6** Distribution of small and marginal farmers in terms of the nature of returns from non-farm business activities (rows add up to 100)

| States | Positive income from business (%) | Zero income or loss (%) | No business (%) | Average business income per household (INR) |
|---|---|---|---|---|
| Punjab | 18.0 | 0.0 | 82.0 | 120,654.8 |
| Haryana | 13.5 | 0.1 | 86.3 | 127,730.5 |
| Rajasthan | 13.0 | 0.0 | 87.0 | 78,727.23 |
| Uttar Pradesh | 15.2 | 0.2 | 84.6 | 49,194.47 |
| Bihar | 12.6 | 0.0 | 87.4 | 109,965.8 |
| Assam | 11.9 | 0.0 | 88.1 | 40,962.44 |
| West Bengal | 15.5 | 0.2 | 84.2 | 45,780.59 |
| Orissa | 11.8 | 0.0 | 88.2 | 53,142.1 |
| Madhya Pradesh | 13.4 | 0.0 | 86.6 | 31,200.31 |
| Gujarat | 7.1 | 0.0 | 92.9 | 63,942.65 |
| Maharashtra | 9.3 | 0.0 | 90.7 | 54,386.71 |
| Andhra Pradesh | 6.7 | 0.0 | 93.3 | 29,808.27 |
| Karnataka | 17.3 | 0.2 | 82.6 | 46,400.13 |
| Tamil Nadu | 11.0 | 0.2 | 88.8 | 98,441.22 |
| All major states | 12.8 | 0.1 | 87.1 | 59,842.76 |

*Source*: Computed using IHDS II (2011–12)

**Table 4.7** Percentage of small and marginal farmer households having debt in last five years (%)

| | |
|---|---|
| Punjab | 54.6 |
| Haryana | 43.0 |
| Rajasthan | 66.5 |
| Uttar Pradesh | 71.8 |
| Bihar | 66.4 |
| Assam | 18.9 |
| West Bengal | 56.1 |
| Orissa | 53.7 |
| Madhya Pradesh | 75.9 |
| Gujarat | 31.9 |
| Maharashtra | 52.0 |
| Andhra Pradesh | 88.7 |
| Karnataka | 83.3 |
| Tamil Nadu | 70.7 |
| All major states | 65.2 |

*Source*: Computed using IHDS II (2011–12)

**Table 4.8** Percentage of small and marginal farmer households having debt from formal institutions in last five years

| State | Received bank loan | Applied but did not receive | Did not apply |
|---|---|---|---|
| Punjab | 30.6 | 0.8 | 68.6 |
| Haryana | 25.1 | 3.4 | 71.5 |
| Rajasthan | 29.7 | 1.2 | 69.1 |
| Uttar Pradesh | 25.3 | 1.7 | 73 |
| Bihar | 11.0 | 3.9 | 85.1 |
| Assam | 9.9 | 5.6 | 84.5 |
| West Bengal | 15.0 | 2.4 | 82.6 |
| Orissa | 25.4 | 9.3 | 65.3 |
| Madhya Pradesh | 28.7 | 1.3 | 70 |
| Gujarat | 12.9 | 2.8 | 84.3 |
| Maharashtra | 33.6 | 3.2 | 63.2 |
| Andhra Pradesh | 60.9 | 4.1 | 35 |
| Karnataka | 43.1 | 2.7 | 54.1 |
| Tamil Nadu | 32.5 | 2.4 | 65.1 |
| All major states | 27.7 | 2.9 | 69.3 |

*Source*: Computed using IHDS II (2011–12)

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# 5

# Social Welfare, Unemployment and Public Works in Rural Southern Mozambique

Ruth Castel-Branco

*What are we doing here, that is the question. And we are blessed in this, that we happen to know the answer. Yes, in the immense confusion one thing is clear. We are waiting for Godot to come . . . Or for night to fall. We have kept our appointment and that's an end to that.*
(Beckett 1982)

Temane is a village located in Mozambique's Inhassoro district. Atop one of Africa's largest gas reserves, its name has become notorious in international investor circles. Every day, more than 12 million cubic metres of gas is piped along an 865 kilometre pipeline to South Africa, where it is processed and sold on global markets. Currently, the petrochemical giant Sasol is in the process of drilling more than a dozen new wells, which will dramatically increase production (Creamer 2016). Yet, for the 315 women and 260 men who live a stone's throw away from the

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company's secured enclosure, the expansion of gas extraction promises few benefits.

Once a relatively prosperous village built on the remittances of migrant mineworkers, Temane never fully recovered from the sixteen-year war that followed independence. When Sasol started construction on the gas processing facility in 2001, villagers were promised jobs, services and economic opportunities. However, these have not materialized, and most villagers continue to rely primarily on small-scale, rain-fed agriculture to survive. With the prolonged drought—which many blame on the ecological effects of gas extraction—the *baixas*, or low-lying areas, have dried up, the grass and trees have turned a silvery grey, and even the cassava, renowned for its resilience, has withered. However, with few alternatives, the remaining villagers continue to till their fields in the hope that this year the rains will fall or that new economic opportunities will arise.

Temane offers a stark contrast to the image of rural Mozambique as portrayed in political discourse and policy documents—an image of a place untouched by (global) capital and delinked from the market, where households are largely self-sufficient and survive independently of wage income. In fact, peasant households are far from self-sufficient, with per capita monthly expenditures in rural areas averaging Mzn 956.[1] Sixty per cent of the expenditures goes towards food and beverages, in comparison to 32 per cent in urban centres (INE 2015). Contrary to the conventional wisdom held by policy makers, rural households are disproportionately vulnerable to fluctuating commodity prices, and, given the limited income-generating opportunities, they cannot necessarily weather a crisis more easily than urban households. Yet, as this chapter argues, drawing on the case of the Productive Social Action Programme (PASP)—a cash transfer scheme for able-bodied adults conditioned on participation in labour-intensive public works—this conventional wisdom is often replicated in policy-making processes, ultimately limiting the impact and relevance of social welfare interventions in rural areas. The chapter begins by locating livelihoods in Temane within the historical process of proletarianization and class formation in rural Southern Mozambique. It then traces the emergence of cash transfer schemes, before focusing on the limitations and contributions of the PASP. The chapter concludes that while public works programmes may not be an appropriate social protection instrument, they have the potential to contribute directly and indirectly to the creation of decent work; therefore, they remain an important mechanism of redistribution. What forms public works take, however, depends very much on the class politics that underlies them. Delinking the provision of social welfare from public works is the first step towards expanding social protection to able-bodied adults and improving the working conditions in labour-intensive public works schemes.

## Differentiation, Class Formation and Migrant Wage Labour in Rural Southern Mozambique

The perception of the peasantry as an undifferentiated class of subsistence producers is historically inaccurate in Southern Mozambique, where the process of differentiation and class formation, rooted in a regional system of migrant wage labour, has been well under way for more than a century. With the decline of the booming ivory trade in the first half of the nineteenth century, young men began to migrate to the sugarcane plantations of KwaZulu-Natal as seasonal, casual labourers. During this early period, the ability to move freely between plantations meant that workers retained some level of autonomy over their labour (Harries 1994). With the wages they earned and remittances they sent back, rural households accumulated cattle, hoes, weapons, wives and, later, an array of imported consumer goods, including clothing, blankets, cloth, wire, tin, beads and distilled liquor. In his description of Southern Mozambique, Junod (1896) paints a picture of class differentiation, with the emergence of a new class of 'gentlemen', 'owners of capital', and 'almost petty chiefs'.

With the advent of the diamond and gold mining industries in South Africa, migration intensified. This was due to the growing demand for migrant workers as well as increased labour repression in Southern Mozambique as the Portuguese colonial state consolidated control over the territory. In 1899, the colonial state adopted the Indigenous Labour Law, which stipulated that all black men between the ages of 14 and

60 had the 'legal and moral obligation to seek the work that they lack to improve their own social condition' (Diario do Governo 1899). Only those who owned capital, produced goods for export, practised a recognized profession or could prove that they were wage labourers were exempted. Ironically, the Indigenous Labour Law propelled millions of Mozambicans to South Africa, where salaries were higher and paid regularly. As Newitt reflects, the colonial state struggled with the same dilemma that an independent Mozambique would later face: 'How does a relatively poor and underdeveloped country develop itself when the marketplace for labour, consumer goods and capital is dominated by a much bigger and relatively more developed neighbouring economy' (Newitt 1995: 472).

The intensification of migration profoundly altered the organization of rural livelihoods. The exodus of young men reduced the labour force available to cultivate land, but the income from remittances—assured through the policy of deferred wages for migrant mine workers (First 1983)—allowed households to hire wage labour. Wage labour became essential for the survival of the peasantry, and the peasantry was essential for capital accumulation in economic nodes (Legassick and Wolpe 1976). Disenfranchised by the racist state, forced to accept ultra-low-wage work and barred from emerging forms of social protection, migrant workers relied for their survival on in-kind support from extended rural networks. Migration also had an impact on the gender division of labour, as women took over the primary responsibility for agricultural production, although, due to the patrilineal and patrilocal organization of households in Inhambane, they retained little control over the fruits of their labour (Farré 2009).

With independence, there was a rapid decline in migrant mine work, as tensions between Mozambique and apartheid South Africa escalated. Between 1975 and 1976, the number of Mozambicans in the mines dropped from 118,000 to 44,100First, Ruthv (First 1983). This decline was compounded by a gradual reduction in the total labour force with the automation of the mining sector. Following the end of apartheid in South Africa, a series of reforms were introduced under the Growth, Employment, and Redistribution (GEAR) programme, which triggered mass retrenchments in key industries. In the context of declining opportunities in the formal sector, Mozambicans retreated to the informal economy. Although migration has continued—a recent study by Feijo and Agy (2015) in Inhambane found that more than 50 per cent of households have at least one family member in South Africa—the decline of wage work meant that migrant workers had to struggle to maintain (financial) ties with the extended family in rural Mozambique. The effect of this shift is particularly violent in a village like Temane, where the symbols of South African capital loom over peasants, who, in the context of drought, desperately seek wage work but find little beyond *ganho-ganho* (short-term informal work often in exchange for food).

## Role of Social Policy in the Context of Structural Un(der)employment

The story of the collapse of migrant wage labour is not unique to the region. In her study of two rural areas in South Africa, Mosoetsa (2011) illustrates how high levels of unemployment, casualization of labour and working poverty have strained the bonds of solidarity as the source of livelihoods shifts from the factory to the household. The expansion of social grants in South Africa, and their restriction to labour-constrained individuals deemed to be the 'deserving' poor, has meant that today, it is the elderly, disabled and children who have become the primary sources of income in many households. For able-bodied men, whose status has been historically connected to their income-earning ability, this has triggered a sense of emasculation and a deep longing for work.

Ferguson (2015) argues that the decline of wage work creates new opportunities for a radical politics of redistribution. While the un(der) employed may articulate a desire for work, it is in fact a desire for attachment, which can be achieved through the provision of non-contributory forms of income security, such as a basic income grant (BIG). A BIG is a universal, unconditional, publicly financed cash transfer paid to all individuals irrespective of income, as a form of redistributing social surplus and decommodifying labour (Van Parijs 2006). By delinking social welfare from employment, Olin-Wright (2006) further elaborates, workers' individual and collective power is strengthened with the potential to transform class relations.

In South Africa, demands for a BIG were first made by the Coalition of South African Trade Unions (COSATU) and subsequently recommended by the Taylor Task Team on Social Security. Fearful that it would foster a culture of dependency, disincentivize participation in the labour market and fuel a sense of entitlement among the citizenry, the government quickly moved to introduce a public works programme, thereby attempting, Barchiesi (2011) argues, to neutralize the radical demands for a BIG. Hence, there has been a proliferation of cash transfer programmes conditioned on participation in labour-intensive public works across Sub-Saharan Africa.

Yet, public works vary widely depending on the class politics which shape their design and implementation. For instance, in the USA, the initial workhouse programmes were introduced in the 1700s as residual, municipally based programmes and administered through quasi-feudal, clientelistic relationships. With the Great Depression in the 1930s, the workhouse system was replaced by a welfare regime based on entitlements. This shift, argues Peck (2001), recognized unemployment as the outcome of structural conditions rather than individual failings. With the rise of neoliberalism, welfare was replaced by a workfare regime, with the objective of compelling the poor into (low-paid) wage labour through a focus on individual behaviour modification and the enforcement of work values (Peck 2001). In India, on the other hand, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) of 2005 was the outcome of years of mobilization by Left parties, trade unions and informal workers' movements. With its entitlement-based employment guarantee, it established the government as an employer of last resort, providing up to a hundred days of paid work for rural households at minimum wage levels. While the impact of MGNREGA has been uneven, studies show that it has reduced rural underemployment, strengthened workers' bargaining power (Menon 2008), narrowed the wage gap between seasonal and permanent agricultural workers and raised wages for permanent workers through a so-called reservation wage (Dreze and Sen 2013). The assumptions, objectives, design and implementation of public works programmes vary not only geographically but across time.

## Social Protection and the Emergence of Cash Transfers in Mozambique

The social protection system in Mozambique is still very much in its infancy. During the colonial period, most Mozambicans had no access to any institutionalized form of social protection or income security. While white workers could register with social providence funds administered to corporatist trade unions, black workers, who were overwhelmingly restricted to casual positions, were excluded. The colonial state rejected demands for incorporation on the basis that they were migrant workers, with their own 'traditional' safety nets in the rural areas and, therefore, they did not require social protection; that their wages were too low to make regular contributions to social provident funds; and that the extended structure of the African family was fundamentally at odds with social insurance provisioning (Quive 2004). In 1963, the colonial regime introduced a social action fund for rural workers, administered on an ad hoc basis and organized by Catholic and Protestant missions through soup kitchens. Given the extremely residual and inconsistent levels of coverage, most black workers cultivated relationships with households in their ancestral lands as a form of protection from the contingencies of unemployment, sickness, disability and old age.

With independence, Mozambique embarked on a revolutionary process of social, economic and political transformation, which included the rapid expansion of basic social services, particularly health and education; the nationalization of land and subsequently all private property; and the abolition of local traditional structures (Sheldon 2003). However, these initiatives were short-lived as the country plunged into an economic and political crisis triggered by the mass exodus of Portuguese settlers, regional attempts to destabilize the newly independent country and failed economic policies rooted in a form of peasant essentialism still prevalent today. Caught in the debt crisis and with dwindling aid from the Soviet Bloc, Mozambique defaulted on its loans in 1984 and, shortly after, declared bankruptcy. In 1987, under pressure from the International Monetary Fund (IMF) and World Bank (WB), the country embarked on its first structural adjustment programme. Residual cash transfers were first introduced to offset the social costs of structural adjustment, with the dismantling of the *abastecimento*, or food distribution system, in urban centres.

In 2007, the legal framework for social protection was consolidated through the adoption of the Law on Social Security of 2007 (República de Moçambique 2007). Importantly, the law defined social protection as a right for all citizens and established the three pillars of the social protection system, namely, contributory social insurance, administered by the National Institute for Social Security (INSS) for the private sector; non-contributory social assistance for vulnerable households living in absolute poverty, administered by the National Institute for Social Action (INAS); and complimentary social insurance. In 2009, the Regulation for Non-contributory Social Assistance was approved (República de Moçambique 2009). Among the programmes identified were direct social action, administered by INAS, which provides unconditional social transfers to poor and vulnerable households which are either temporarily or permanently *labour constrained*; and a PASP, administered jointly by INAS and relevant line ministries, which provides a cash transfer to very poor non-labour-constrained households, conditioned on participation in labour-intensive public works programmes.

Key to the framework for eligibility criteria is the differentiation between labour-constrained and non-labour-constrained households. Critically, it is the household rather than the individual that is defined as the unit to determine eligibility. This was, on the one hand, a pragmatic attempt to rationalize the number of eligible beneficiaries, given the limited budget allocations to the sector, and, on the other hand, the result of an ideologically rooted reluctance to expand coverage to all citizens living below the poverty line for fear of creating a culture of dependency. As a result, an elderly person who is labour constrained but lives in a household with at least one able-bodied adult of working age is automatically excluded from direct social action. Therefore, PASP plays an important complementary role to Direct Social Action, as it is the only programme that responds to the needs of non-labour-constrained households.

The consolidation of the legal framework for social protection coincided with a global resurgence of interest in cash transfers, based on a recognition that economic growth does not necessarily lead to poverty reduction and that rising levels of inequality within and between states can in fact stifle growth (Mkandawire 2001), that social insurance systems that link social protection to formal employment cannot provide adequate coverage for women and rural workers (Standing 2007), that cash transfers are more efficient than in-kind transfers at reducing poverty and inequality, and that some level of social protection is affordable at all stages of economic development (Drèze and Sen 1991). Given that Mozambique was still heavily reliant on international aid for general budget support, political and financial support from development partners was essential in securing a gradual increase in budget allocations to the sector (Fig. 5.1).[2]

The increase in budget allocations to the sector allowed for the gradual expansion of coverage, from district capitals to administrative posts and, finally, localities. As Fig. 5.2 illustrates, the number of households covered by the INAS programmes increased from 183,000 in 2008 to 498,866 in 2016. Despite progress, Cunha et al. (2015) estimate that INAS programmes only cover approximately 15 per cent of poor Mozambicans because they focus on the household rather than the individual. The National Strategy for Basic Social Security 2016–24 proposes a series of modifications with the goal of expanding coverage to 3.3 million individuals. These include a focus on the individual in determining eligibility, a quasi-universal cash transfer for the elderly, the introduction of a child

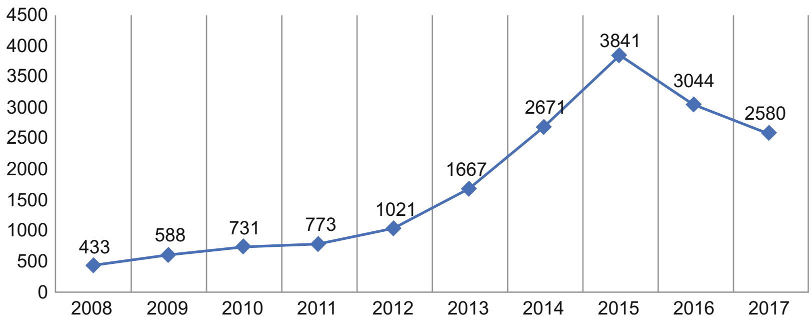


**Fig. 5.1** Budget allocation to INAS programmes (MZN ^3), 2008–17 (*Source*: ILO et al. 2016)

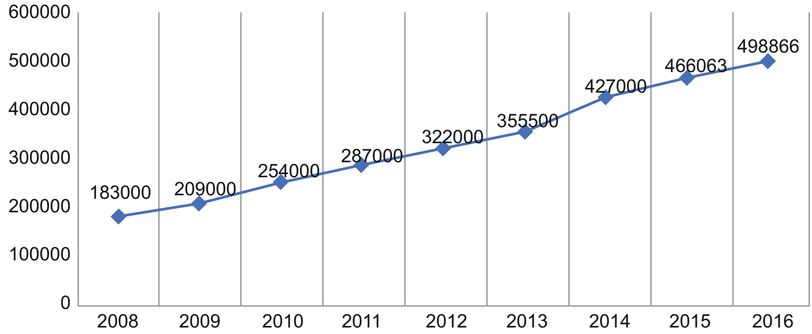


**Fig. 5.2** Households covered by INAS programmes, 2008–16 (*Source*: ILO et al. 2016)

**Table 5.1** Projected coverage and costs in 2024

| Programme | Number of beneficiaries | Cost (% GDP) |
|---|---|---|
| Old-age pension | 1,009,500 | 0.66 |
| Disability benefit | 190,073 | 0.12 |
| In-kind nutritional support | 45,000 | 0.06 |
| Infant grant | 1,401,937 | 0.92 |
| Grant for child-headed household | 30,772 | 0.04 |
| Foster grant | 17,753 | 0.01 |
| Public works (rural) | 497,358 | 0.19 |
| Public works (urban) | 199,644 | 0.11 |
| Graduation | 487,902 | 0.11 |

*Source*: Republica de Moçambique (2016)

grant and the expansion of the PASP. The PASP remains the only programme for non-labour-constrained adults. Table 5.1 provides an overview of the projected coverage and costs for 2024.

## The Conception of the Productive Social Action Programme

The PASP is the only programme within the non-contributory pillar of the social protection system that responds to the needs of able-bodied adults of working age. Introduced in 2011, the pilot programme was initially funded by the WB's Rapid Social Response Fund (RSRF) and the World Food Programme (WFP). It replaced a series of development programmes, including the Social Benefit through Work Programme (PBST), which consisted of an eighteen-month paid internship in the public sector, with the possibility of integration as a full-time, permanent worker upon completion of the period; the Income Generation Programme (PGR), which provided access to micro loans for income-generating activities; and a Community Development Fund, which provided grants to build small-scale infrastructure such as mills and health posts. An evaluation of these programmes in 2009 found that coverage was low—only 6275 people benefited from the PBST and 7350 from the PGR—and unsustainable, primarily due to limited budget allocations, instability with respect to absorbing workers into the public sector and low repayment rates of micro loans (Republica de Moçambique 2010). As the next section illustrates, some of these challenges continue to plague the PASP.

At the time of the introduction of the PASP, the WFP was implementing Food-for-Asset (FFA) programmes across Mozambique's arid southern provinces. The piloting of the PASP by WFP, using debit cards as a form of payment, marked an evolution amid growing national and international pressure to shift from food to cash transfers. Yet by 2013, the RSRF had expired, and the WFP, whose main business was food distribution, was unable to continue with the programme. Unwilling to abandon the PASP (and the programme participants), the Ministry of Finance assumed financial responsibility for the programme in the districts where the pilot was already under way. In the same year, the WB approved a low-interest loan of US$ 50 million (Table 5.2), with the

**Table 5.2** Components of World Bank social protection loan

| Project component | Amount allocated (US$) | % allocated |
|---|---|---|
| Institutional strengthening | 13,100,000 | 26.2 |
| Labour-intensive public works | 36,200,000 | 72.4 |
| Rural areas | 24,500,000 | 49.0 |
| Urban areas | 11,700,000 | 23.4 |
| Contingencies | 700,000 | 1.4 |

*Source*: World Bank Group (2013)

ambitious goal of covering all households in the bottom four deciles of the population by 2020.

Unsurprisingly, the design and implementation of the PASP was heavily influenced by the WB's Social Protection and Labour Strategy (WB 2012) and Ethiopia's Productive Safety Net Programme, which focus on consumption smoothing during lean periods of the agricultural cycle rather than providing employment guarantees. Critical to the framing of the PASP under the loan agreement was the differentiation between rural and urban areas. In rural areas, the PASP was designed to respond to cyclical periods of food insecurity and to build resilience to climate-related shocks, overlooking the existence of widespread un(der)employment. The policy implication is that while in urban centres the PASP is a six-month programme, in rural areas it is limited to only four.

In both urban and rural areas, the value of the cash transfer was set at MZN 650 per month, which in 2010 corresponded to the poverty line and to the minimum wage for part-time agricultural work. Today, however, this is equivalent to less than 50 per cent of the minimum wage. The rationale for limiting the number of days of work, and thus the monthly wage, is to ensure that only the poorest of the poor, with no alternative sources of income, apply. However, the loan document also states that in a context where more than half the population lives below the poverty line, self-selection is a not a sufficient targeting mechanism to rationalize public spending, and proposes a complex triple-targeting approach that combines geographic, community-based and household-level verification.

Advocates of a strict targeting approach argue that it ensures efficiency and equity in addressing the needs of the most vulnerable. However, given the dynamic nature of poverty, targeting the poorest of the poor is like shooting at a moving target. This is even more challenging in the case of Mozambique, where, as Fig. 5.3 illustrates, income distribution in the lower quintiles of the population is fairly flat. In this context, identifying who is the poorest of the poor is a rather arbitrary, time-consuming and expensive exercise. As Lavinas (2013) insightfully points out, the proliferation of highly targeted cash transfers makes the poor 'co-responsible' for their well-being as part of a wider process of privatization and commodification, undermining the principle of universality present in earlier forms of social provisioning (such as the food distribution system).

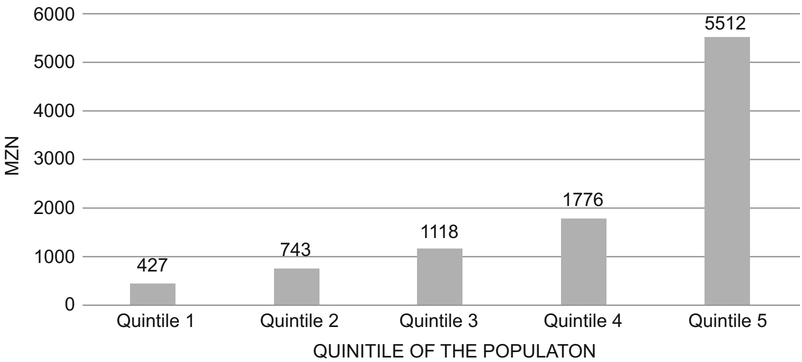


**Fig. 5.3** Per capita monthly consumption (in MZN, by quintile, 2014/15) (*Source*: INE 2015)

The WB loan document defines a series of complementary activities to promote the 'graduation' of participants from the PASP after a period of three years. In rural areas, activities include the promotion of community-saving schemes and financial literacy, with support from the private sector and NGOs (CARE, specifically). In contrast, in urban centres, graduation is focused on helping participants develop new skills or economic activities. The rationale is that through these interventions, households can accumulate the necessary assets to increase productivity and income. However, as McCord and Slater (2015) point out, graduation depends on factors beyond the scope of social protection, such as the structure of labour markets and working conditions. While the concept of graduation provides a justification for limiting the duration of cash transfers to three years, thereby allaying fears of promoting dependency among a class of 'undeserving poor', it cannot address the structural nature of un(der) employment.

Finally, the loan agreement also emphasizes that the PASP should consider the special needs of women by providing flexible work hours and childcare so that the programme does not interfere with their productive and reproductive responsibilities. As Zelleke (2008) points out, instead of compensating women for unpaid care work, public works intensify the double burden of productive and reproductive labour. The WB loan document recognizes this challenge, but it then proceeds to differentiate between the needs of women in urban and rural areas. While childcare facilities are one of the provisions for women PASP participants in urban centres, such amenities are not available in rural areas. The document therefore assumes that in rural Mozambique child care is not a necessity and that rural households can absorb the additional burden of the PASP.

## The PASP at Work: The Evidence from Temane

The PASP was launched on a national scale in 2014 and has faced a myriad of financial and administrative obstacles. Initial delays were the result of the delayed disbursement of the WB loan. The WB imposed a series of conditions, including the creation of an information management system that applies a proxy-means test to target the poorest of the poor, re-registration of potential beneficiaries and the outsourcing of the payment system. The reliance on international financing has thus constrained the government's ability to implement the programme. To date, only 15 per cent of the funds have been disbursed, and the loan agreement is due to terminate in 2019.

Because of repeated delays in the disbursement of funds and the cost and complexity of implementing the PASP, coverage has been below the targets initially envisioned (it currently covers only 56,000 households). Low coverage undermines the impact of the programme, foments social fragmentation and reduces the efficiency of the system. In the village of Temane, for instance, there are 69 PASP workers within a much larger universe of eligible participants. This puts local leaders, responsible for selecting participants, in a difficult position. In Temane, the neighbourhood secretary ultimately created a rotating system in which each household can participate in the programme for only one cycle. Though contrary to the design of the PASP, the rotating system is an attempt to quell social tension by spreading the benefits of the programme and consolidate clientalist relations. However, in a context where strict targeting criteria are applied, the socially marginalized are entirely overlooked. This is not to suggest that PASP participants are ineligible for the programme—given that approximately half of the population lives in absolute poverty, they most likely are—but rather to point to the

**Table 5.3** Price tables, basic goods in the market of Nhacolo, locality of Maimelane, district of Inhassoro. November 2016

| Basic good | Price (MZN) | Quantity |
|---|---|---|
| Maize meal | 480 | 12.5 kg |
| Rice | 1200 | 25 kg |
| Nhemba beans | 50 | 1 kg |
| Cassava leaves | 50 | 1 bunch |
| Tomato | 50 | 1 kg |
| Onions | 50 | 1 kg |
| Peanuts | 100 | 1 kg |
| Sugar | 80 | 1 kg |
| Salt | 40 | 1 kg |
| Soap | 50 | 1 bar |
| Dried fish | 50 | 1 bunch |
| Fresh fish | 100 | 1 bunch |

*Source*: own notes

ways in which highly targeted systems further marginalize the socially marginal. Finally, low coverage also reduces efficiency and increases per capita operational costs. With PASP programmes scattered across the district, INAS staff must drive long distances to provide services and cash transfers to a very small number of people.

The late payment of wages, as a result of delayed loan disbursements and administrative hurdles, has further undermined the impact of the programme. PASP participants have been forced to work for months without pay. Given the low level of the transfer—which as Table 5.3 illustrates is barely enough to purchase a 12.5 kilogram bag of maize meal and 3 kilograms of eyed peas—and its short duration, the protracted delays in payment undermine the objectives of the programme. McCord argues:

> In contexts of food insecurity, very scarce alternative economic opportunities and limited financial markets, particularly in the current drought scenario, an extended payment schedule could reduce the food security impacts of the programme, forcing beneficiaries to borrow against future PASP payments, or sell assets in order to meet consumption needs despite participation in the programme, undermining the programme's food security, resilience and DRM [Disaster Risk Management] impact. (McCord et al. 2016: 13)

The persistent delays in the payment of wages have also fuelled social unrest, including in the districts of Machanga in 2012, Kambukwana in 2015 and Mecuburi in 2016. In the district of Mecuburi, INAS technical staff had to be escorted out of the district by armed police and were prohibited from operating in the area until they paid workers' wages in full. These experiences have made some local and national government officials sceptical about the sustainability of the programme at precisely the moment when the programme is set to expand.

The schedule of implementation has also been extremely variable. The loan document stipulates that the PASP should be implemented between June and October, which corresponds to the period after the harvest but before the planting season, where labour is more freely available. However, this is not the period of greatest food insecurity, which runs between October and February but which also corresponds to the period of most intensive agricultural work. In reality, this conceptual dilemma is of little consequence because the programme is not implemented according to a regular schedule. This also means that households cannot depend on the income from the PASP. One year they may receive a cash transfer in July, for work done between February and May, and the next year in November.

In addition, loan disbursement delays have resulted in non-compliance with occupational health and safety standards, as outlined by the Labour Law of 2007. These include the provision of protective equipment and appropriate work clothing; the provision of first aid, transport to the hospital, and medical treatment in case of workplace accidents; and an indemnity. While PASP participants are not considered workers, most of these standards were included in the design of the programme but have not been adequately budgeted for. In many instances, public works were implemented before the state purchased work tools let alone occupational health and safety equipment. While initially the PASP pilot evaluation flagged this as a concern, it (worryingly) concluded that the absence of protective gear was not a problem in rural areas:

> Given the nature of work in rural areas, no special protective equipment was necessary. On the other hand, in urban areas, safety equipment (masks, goggles, signs, etc.) is of vital importance. Nonetheless, the low value

> destined to the purchase of work materials did not allow of extra protective materials, other than the basic work tools. This situation had a negative impact in all projects, and particularly in urban areas, where the absence of materials, and the fact that people do not carry their work tools with them (as is the case in rural areas), resulted in the slow rhythm of work and a high absentee rate. (Pimpao and Villanueva 2012)

This conclusion is rooted in an assumption that the type of activities undertaken in rural areas, such as uprooting trees, correspond to PASP participants' agricultural activities and that they therefore need little training, work materials or protective gear. A look at the practice of small-scale agriculture in Temane shows that uprooting trees using the sheer force of one's body weight and a hoe is uncommon, particularly for women. Instead, small-scale producers tend to clear a wooded area, burn it and plant around the tree trunks. It is no surprise, therefore, that there have been occupational accidents. In Inhassoro, the district where Temane is located, a tree fell on one worker.

The limited budget for capital investments—approximately 20 per cent per district—has also meant that the quality of tools purchased and, therefore, of the assets produced is generally poor. In addition, there is no budget allocated to compensate communities resettled by the public works. In Inhassoro district, for instance, the PASP focused on opening new roadways in areas already inhabited. Under the WB loan document, a resettlement procedure should be triggered, but because the district did not have funds to compensate people, the displaced were simply given new plots in an extension area, farthest away from the centre, and provided with no support to rebuild. In addition to uprooting homes, the PASP has uprooted trees and crops. Understandably, this has spurred tension within the areas of implementation.

Many of these conceptual, financial and administrative challenges are not unique to Mozambique. In her extensive study of public works programmes in sub-Saharan Africa, McCord (2012) concludes that they are of little value as a social protection intervention: they are short-term and inadequate for consumption smoothing, funded by international development agencies on an ad hoc basis, have high transaction costs, and are therefore heavily rationed and limited in scope.

Yet, PASP participants in Temane were overwhelmingly positive about their participation in the programme. While all complained that a monthly wage of MZN 650 is inadequate, none had willingly withdrawn from the programme. In fact, despite complaints of low wages, participants expressed the desire to work year-round—an indication of the extent of rural un(der)employment and absence of other opportunities.

When asked whether they would prefer an unconditional cash transfer, the majority of participants were not in favour. In theory, participants work four hours a day for four days a week. In practice, work is assigned on a task-based system. If workers finish the task in less than four hours, which often happens, they are free to go. Attendance is taken daily, but because workers are responsible for enforcing time themselves, there is some flexibility built into the system to reduce the risk to other productive and reproductive activities. Because of that, workers felt more secure about 'receiving something for doing something'. Unless universal, an unconditional cash transfer for able-bodied adults would intensify existing tensions about who receives a grant and who does not. Given the influence of traditional religion, there is an added fear of the repercussions of conflict to the lives and well-being of participants and their families.

Furthermore, the PASP has contributed in concrete ways to the well-being of the broader community. The opening of roads, for instance, have allowed for the further provision of services such as access to an ambulance. They may not be able to withstand a natural disaster and so would rank poorly in any formal evaluation of the programme, but PASP initiatives are appreciated. Local leaders praised the PASP for its contribution and expressed the desire for the programme to be year-round. In the past, road-clearing would have been done by an unpaid workforce mobilized by the chief. Today, few heed the chief's call. The PASP is potentially a bridge between unpaid volunteer work and an entitlement-based public works scheme, where workers are paid a decent wage.

Finally, many PASP workers emphasized that participation in the programmes had enriched their networks. Despite not learning many new technical skills, workers made friends and strengthened their networks and found out about new opportunities, and some were even able to showcase their leadership skills. The research in Temane suggests that although public works may not be an appropriate social welfare intervention, they should not be discounted altogether. As this essay illustrates, the premises and objectives of public works programmes have shifted at different moments in history, and across geographic spaces, in response to class politics. The key question then is what are the objectives of public works programmes? How are they organized? Who is entitled to participate in them? What are the terms of work? What is their relationship (if any) to social welfare?

## The Future of the PASP: Delinking Public Works Programmes from Social Welfare?

In the last decade, there has been a proliferation of labour-intensive public works programmes across sub-Saharan Africa. Framed as a win-–win policy instrument, public works programmes promise to provide income security for able-bodied adults, foster economic activity through increased consumption, strengthen physical infrastructure and provide the poor with the skills necessary to 'graduate' out of poverty and, therefore, out of the programmes. Barchiesi (2005) convincingly illustrates how public works programmes have been repurposed by states to deflect from more radical demands, such as a universal unconditional BIG, to halt the decommodification of labour. In Mozambique, the PASP allayed policy makers' fears of creating a culture of dependency among a class of 'undeserving poor'. Instead, it filled a gap—albeit residually—in the social protection system, while promoting a culture of work, which, as O'Laughlin (2016) details, has been a key focus of national development plans and policy documents. In this sense, the PASP is far from being the harbinger of a new radical politics of redistribution that Ferguson (2015) had in mind.

However, at different historical phases public works programmes have taken different forms—a reflection of the class politics that underlie them. It is the contention of this paper that large-scale public works programmes can complement a universal, unconditional cash transfer. Cash transfers are not a magic bullet and must necessarily be connected to other policies, including the provision of social services and

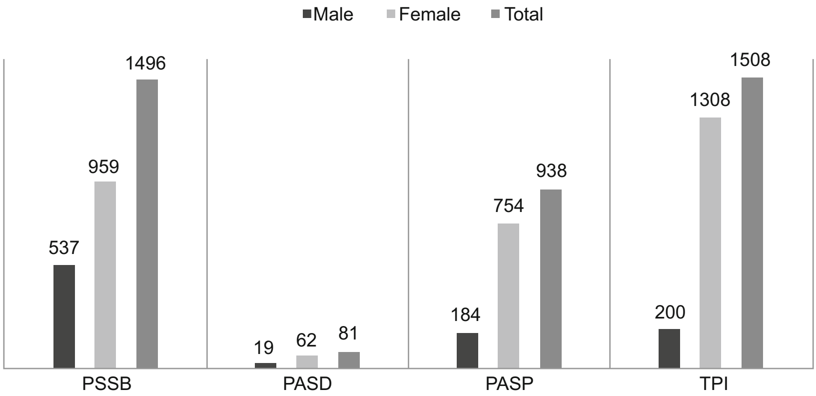


**Fig. 5.4** Number of beneficiaries by social action programme in Inhassoro District, 2016 (*Source*: *Compiled by the author based on unpublished data provided by the* INAS Delegation Vilankulos 2016)

labour market policies. While public works programmes may not be an appropriate social protection instrument, they are a relevant mechanism of redistribution, despite, or because of, the crisis of wage labour.

To transform the PASP into an entitlement-based employment guarantee, however, requires stronger recognition by policy makers of the prevalence of rural un(der)employment and delinking of the provision of social welfare from participation in public works. Introduced at a national level in 2014, the PASP is still very much in its infancy. However, there are already signs of evolution. In 2016, a new pilot, the Inclusive Public Works Programme (TPI), was introduced in Temane. The TPI has less onerous conditions and lasts for a period of nine months rather than four. Today, in the district of Inhassoro, where Temane is located, there are far more participants in the TPI than in any other programme (Fig. 5.4).

The introduction of the TPI and the extension of public works from four to nine months create an opportunity for civil society and workers' organizations to mobilize around a more expansive programme. It is an indication that the PASP programme could be reconceptualized, for instance, as an employment guarantee scheme, such as MGNREGA. Ultimately, the form that a new PASP would take depends on the nature of class politics in Mozambique. Pragmatists might question how an expansive public works programme would be financed. For the villagers of Temane, who spend their days watching the giant flame from the gas wells burning high in the horizon, the answer is the petrochemical giant, Sasol.

## Notes

1. USD 1 is equivalent to approximately MZN 70.
2. With the debt crisis, and subsequent withdrawal of donors from general budget support, budget allocations have declined.

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# 6

# Understanding Social Reality(ies) of Rural Livelihoods: Insights from a Comprehensive Study in Two Villages in Mozambique

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## Introduction

The effects of climate change increase the degree of environmental risk faced by resource-dependent farmers in dry areas. However, a 'climate-driven vulnerability' narrative overshadows the socio-political milieu underlying impoverished livelihoods (Bebbington 1999; Eriksen and Silva 2009). Determinants of livelihood vulnerability are 'temporally as they are spatially complex: past processes such as colonization and war shape present insecurities, and ongoing processes such as climate change and trade liberalization shape future insecurities' (Barnett and Adger 2007: 642). The interplay of these factors underlies the actual 'social vulnerability' of smallholders. According to Bohle, Downing and Watts, vulnerability is a 'multi-layered and multidimensional social space' defined by the 'political, economic and institutional capabilities of people' (Bohle et al. 1994: 39). Thus, erratic weather becomes a 'final straw' in tipping already vulnerable livelihoods to 'recurrent livelihood crises' (Devereux 2009: 27). In fact, the

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long neglect of the smallholder sector in Mozambique (Bryceson 2009; Eriksen and Silva 2009; Hanlon and Cunguara 2010) leaves it exposed to the effects of increasing climate variability.

Mozambique transitioned directly from a decade of war against Portuguese colonial rule in the 1960s (the War of Independence began in 1964) into two decades of civil war until the early 1990s. The national cattle population decreased from 1.4 million in 1974 to 0.4 million in 1994. This had a profound effect on the vulnerability of smallholder agro-pastoralists to food insecurity, since livestock customarily functions as an important source of income and social security mechanism. Yet, two decades later, herds from the poorer households have still not been restocked. Constraints limiting livestock ownership include lack of cash to invest in new animals and pressure to sell animals to buy food; hence, a vicious cycle is created (USAID 2011).

Furthermore, the effects of the prolonged war period left the countryside in ruins as the rural infrastructure suffered widespread destruction. People were displaced, hunger and malnutrition were rampant, infant mortality rate reached 20 per cent, areas laced with land mines lay barren, and thousands of farmers lost arms and legs after stepping on mines in their fields. Furthermore, the debt acquired during this period was 'four times the country's gross national product' (Thurow and Kilman 2010: 44, 139). As a result, the country began following structural adjustment policies and adopting market liberalization.

Hence, as a great recipient of donor aid, Mozambique is 'loyally following a neo-liberal, free market development policy', which is in detriment to the smallholder sector (Hanlon and Cunguara 2010: 1). Such dependence on donors has a constant rule: 'to keep government out of the economy and agriculture'. Theses authors mention examples that range from a whole production and processing chain of a certain agricultural product, as was the case with cashew nuts, to the veto on governmental procurement of extension workers. This is so despite the fact that the smallholder sector accounts for 99 per cent of all farms in Mozambique. Mozambique's agrarian development investments have neglected the family farm sector. Hanlon and Cunguara state that only 8–14 per cent of farmers received visits from agricultural extension services[1] during the period from 1996 to 2008, with a declining trend. More recently, the debate has been turning to the bilateral agreements between Mozambique and China and Mozambique and Brazil, whereby poor-quality infrastructure and resources are exchanged for the nation's minerals and agricultural land.

The smallholder farmers in the Mabalane District of Mozambique are located in a remote semi-arid area. Their livelihoods customarily depend at least as much on livestock as on (mostly) rain-fed food crops. Increased climate variability exerts pressure on the already vulnerable production system. Crop production has failed in most of the past ten years in the communities of Mabomo and Mungazi. Additionally, for the majority of households, herds are still in a post-civil-war restocking phase. The system's resilience is further affected by population pressure as households are concentrated in settlements, as well as by resource degradation and lack of basic services.

A comprehensive study of livelihoods in Mabomo and Mungazi required grasping how social reality is being historically constituted and how it inscribes social interactions. The context under study called for an integrated lifeworld–livelihoods–assets perspective. Such a perspective sheds light on the organization of socio-space.

## Symbolic Elements of Everyday Life

The main ethnic group in the study area is the Changana, speaking the Tsonga dialect of Xichangana. It is a patrilinear, patrilocal and patriarchal society. Hence, inheritance and land tenure moves through the male line: men, when married, settle in the neighbourhood, whereas women customarily move into the husband's area.

Feliciano's study on the economic anthropology of the Thonga of Southern Mozambique is the result of fieldwork carried out from 1975 to 1981. Following the War of Independence (1964–74) Mozambique entered a fifteen-year period of civil war from 1977 to 1992. According to Feliciano, until the early 1980s, households were 'disperse and centrifuge, integrated in community networks'. These scattered family units, called *muti*, would have a complex organization of huts, according to the position one holds in the family. Everyday life was embedded in a complex set of rituals (Feliciano 1998: 286). In a household twenty-two kilometres from Mungazi, in the direction of the hinterland, this organization of the muti was still observed. The *GandzElo* tree—the founding of the household—is indicated with white cloth or *kapulanas*. The head of the household, the *Munumuzana,* has his door directed eastwards, towards the sunrise. The household area has two smaller huts dedicated to the ancestral heritage. Still in Mungazi the building of bricked houses is avoided, allegedly for not being in agreement with the customary way of construction. Also, the proposal to resettle the community ten kilometres from its current position, where the government planned to construct a water reservoir, was denied. What prevented them from moving, as stated by the chief, was the desire to remain close to ancestral shrines.

Feliciano's work shows that the legitimacy of customary practices was grounded in a shared mythical worldview that penetrated all spheres of life. This legitimacy suffered a shock when traditional leaders were adapted to the function of *regulos*, watchmen for colonial control. Furthermore, Roesch (1992) indicates that RENAMO (Mozambican National Resistance) used a neo-traditionalist culture of insurgency, as opposed to FRELIMO (Liberation Front of Mozambique). This argument lays the foundation for the apparent post-civil-war aversion of locals (and their need to be identified as FRELIMO supporters) to traditional practices. It is only more recently that the national government adopted a discourse that gives relevance to the role of customary law for the management of natural resources (Earle et al. 2006). In doing so, Decree 15/2000 formalizes 'traditional authority' (Buur and Kyed 2006). Following this decree, traditional leaders of Mabomo and Mungazi were incorporated into the official government structure in 2009 and 2010 respectively, occupying the position locally called *terceiro escalão*.[2]

During my fieldwork it was possible to register instances of practices forwarding respect for ancestral lineage spirits, as depicted in Fig. 6.1. Accordingly, ceremonial practices are divided into three types: the big offerings and sacrifices related to requests, *mhamba*; the smaller and more common ones related to agriculture, *kupahla*; and more simple communications with the ancestors, the *kubika*. For example, *kupahla mfula* is the request for rain and was practiced in Mabomo in November 2010. The *nkElEkEle* practice aims to unblock rain by cleansing what 'dries the land'

**Fig. 6.1** Symbolic elements of everyday life. **(a)** Father and son in front of muti's *GandzElo* tree. **(b)** Under a *nkanye* tree the *kubika nguva* ceremony is carried out in Mungazi, inaugurating the harvest season. **(c)** *Mhamba* in Mabomo, to ask for ancestral approval of the newly elected community leader (*Source*: Fieldwork May 2010–October 2011)

such as abortions or wrongful burials. On the other hand, the *mpfofanyi* practice aims to free the fields from caterpillars that abound in the farms when the rains fall. The mysticism related to rain is, according to Feliciano (1998: 440), the great foundation of sovereignty since, when successful, it affirms the powers of the chiefs over nature.

Towards the end of January, the *kanhu* fruit (or marula, which is the fruit of the nkanye tree, *Sclerocarya birrea*) is abundant in these communities. It is used to prepare a drink, which while still a sweet juice is called *MakapitEla*. In its fermented form the drink is called *ukanyi* and is consumed collectively as the sun sets. On these occasions some expressions of the customary dances, the *makway*, gain life.

During the War of Independence, the organization of households in communities rather than in mutis had already been encouraged to serve counter-insurgency purposes. These concentrated settlements are called *aldeamentos* (Jundanian 1974; Coelho 1998). It was, however, during the period from 1977 to 1982 under the villagization policy that the formation of aldeias (here called communities) and villages was reinforced. Only during the civil war's increased armed conflict, around 1984, did most of the households decide to move to communities. Some had to join a nearby village, as was the case of Mungazi households, which needed to move to Combomune.

## Towards a Comprehensive Livelihoods Study

To be properly contextualized, the study of livelihoods examines the interrelation of assets composing livelihoods with the organization of the socio-space. This in turn demands some considerations regarding the latter. To build a 'coherent community', spatial practices (i.e. the use of public and domestic spaces over time) interact with social practices (i.e. social networks of exchange and support) (Pellow 2008). This interplay is in turn mediated either by communal social action or by rationally regulated action. The space is thus seen as less of an 'objective pre-given reality and more of a social phenomenon that would be experienced and given meaning' (Warf 2006: 432). In this sense, a 'socially based spatiality' is defined as the 'organisation, use[s], and meaning of space as a product of social translation, transformation and experience' (Soja 1980: 210). It is, thus, contingent on the historical interaction of mode of production and social formation.

The organization of socio-space allows for the comprehension of the fluidity of the phenomenon under study, whereby space figures actively in both production and social reproduction (Santos 1977). It embraces the complexities of everyday life, linking micro and macro contextual levels. It is thus concerned with how assets are used in the making of livelihoods as well as in symbolic reproduction, as well as with the influence of formal and informal institutions in regulating these uses. Hence, to understand the 'organization of the socio-space' a comprehensive study of livelihoods is essential, as proposed by Scoones (2009). This is done by building on the livelihoods framework, as explained in what follows.

### Background on Livelihoods Study

Towards the end of the 1970s, the idea of livelihoods began to attract attention. There had been already some context-specific and cross-disciplinary studies in Africa and India. However, an important hallmark in the development of a framework for the study of sustainable rural livelihoods (SRLs) is the engagement of the Institute of Development Studies (IDS) in the United Kingdom in the late 1990s. Following debates on the role of politics and institutions in how (poor) people gain access to resources, a seminal paper by Ian Scoones (1998) conceptualizes SRLs and introduces a diagram that has been adopted by organizations such as UK's Department for International Development (DfID), OXFAM and others.

This diagram is called the asset pentagon, or the capitals framework. It is based on the notion of capitals as indicators of access to a range of livelihood resources (produced—also referred to as physical or as infrastructure, human, natural, economic and social), which are combined in the pursuit of different livelihood strategies (agricultural intensification or extensification, livelihood diversification and migration). The diagram was then adopted in the form of a checklist for many studies being carried out in developing countries at that time. However, rather than being applied for more narrow economic evaluations and modelling exercises, the aim was to bring economic thinking into the debate as one component of a broader understanding of the role of social and institutional processes in mediating access to resources. According to Scoones,[3] to engage with an approach that encompasses more of the complexities of livelihoods, rather than assuming a more quantitative economic perspective on the issue, was and still is a dilemma in livelihood studies. IDS states that 'a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living' (Scoones 1998). The notion of 'capability' is used in the work of Amartya Sen in relation to food security as 'what people can do or be with their entitlements'. This notion 'encompasses far more than the material concerns of food intake or income' and is complemented by the broad notion that assets can take. For example, for Bebbington assets or capitals:

– Are not merely *means* through which people make a living: they also give *meaning* to the person's world;
– Are not simply *resources* that people *use* in building livelihoods: they give them the capability to be and to act (Bebbington 1999: 2022).

To Bebbington, access to 'assets' 'becomes perhaps the most critical resource of all if people are to build sustainable, poverty alleviating rural livelihoods'. Accordingly, Bebbington states that access to resources is "as partly dependent upon households' social capital" (ibid.). Thus, while lifeworld may be considered the greater frame of culture and language, livelihood encompasses income activities and the assets required for these and for symbolic reproduction. In this comprehensive framework, mediated by the role of institutions, socio-space is in constant organization, thus situating its historical and cultural context. The role of macro-level processes becomes explicit in that they influence contextual conditions (Eriksen and Silva 2009).

A wide frame of ideas and approaches surrounds livelihood thinking (Scoones 2009: 174). This also means that there are 'many different ways of carrying out livelihoods research in practice' (Murray 2002: 508). Some critics of the economic perspective point to the fact that livelihood studies rely, to a great extent, on static data on resource assessment, impacts and socio-economic variables. In doing so, it offers a rather 'circumspective approach' on the time periods being compared (Prowse 2010: 225). In particular, studies on smallholder agriculture commonly resort to household surveys to provide a baseline to assess livelihoods. In addition to the field-logistic challenges and the high costs of using household surveys, there are two other major hindrances: the time span between survey application and publication (as in Giesbert and Schindler 2012) and the fact that when adopting international conventions for measurement, it is common that household surveys become ill suited to the local reality (Cramer et al. 2008: 364). Ellis (2000) demonstrates in his *Rural Livelihoods and Diversity in Developing Countries* from Oxford University Press that income and expenditure data alone 'have failed to record, let alone generate, an understanding of the groundswell of livelihood diversification now taking place' (Bryceson 2002: 726). Mushongah and Scoones (2012), for example, used household surveys in combination with in-depth biographical interviews and wealth ranking to examine livelihood change. Here Mushongah and Scoones could also build on previous survey work to support the comparative longitudinal analysis.

Rapid rural appraisal tools can be of assistance when such data are not available. However, the intensified use of such tools for development-oriented livelihood analyses calls attention to **how** such appraisal is being done. There is a variety of tools at hand, such as Venn diagrams, seasonal calendars, mapping or modelling on the ground or paper, to mention but a few. Rather than a simple method 'intended for learning by outsiders', participatory rural appraisal is 'intended to enable local people to conduct their own analysis and often to plan and take action' (Chambers 1994: 958). In this sense, the way the tools are applied determines how 'the complexity of local knowledge' is taken into account. A possible trap faced when making use of these tools is the application of pre-structured outlines, leaving little room for flexibility and incorporation of new information (Pijnenburg 2004). This often narrows the representation of complex realities. In my attempt to fill this gap, I drew on Burawoy's extended case method (Burawoy 1998).

Particularly important in this case is to comprehensively consider the asset base comprising livelihood activities. Here, access to assets (mediated by institutions and social relations) determines the living gained by the individual or household (Ellis 2000, as cited in Prowse 2010). Aspects such as vulnerability context, the role of social relations, institutions and organizations, and the importance of socio-biographical characteristics are integrated into the notion of a comprehensive (and reflexive) livelihood appraisal. In this way, the mosaic of 'livelihoods perspectives' (Scoones 2009) can be analysed by drawing on extensive primary fieldwork, requiring 'sensitivity, reflexivity, application and long-term dialogue between researchers and social actors' (Prowse 2010).

The following section introduces the appraisal of livelihoods as (self-) analysis and problem (co-)definition. This approach, referred to as actor-oriented, has strengths from the perspective of the participant, that is, that of the acting subject (interviewees; here the agro-pastoralists in Mabomo and Mungazi). At the same time, it recognizes people's ability to change their social and economic circumstances as constrained by macro contexts. The agent and his/her lifeworld are positioned as the centre of the study. Hence, the actor-oriented approach guides two main principles in this study: (a) research on livelihoods is comprehensive when considering the lifeworld in which it is embedded and, thus, frames its historical and cultural context; and (b) such research is integrated with efforts that prompt the agency of farmers to improve their own livelihoods. As mentioned, in my thesis principle (b) is depicted through the facilitation of planning and action through organized farmer groups. This chapter concentrates on principle (a) as a building block to further action. The next item explains how I sought to conduct a comprehensive livelihoods study.

## Praxis: Study of Livelihoods in Mabomo and Mungaze

An extensive ten-month-long observation of participants, divided into three periods of fieldwork, allowed for a situated multi-method approach that drew on a set of interview categories (Table 6.1). Informal interviews from the first period indicated that transformations in livelihood trajectories and livelihood impoverishment are closely linked to the way people relate to resources. Thus, the research aimed to comprehend how the organization of socio-space interrelates with how resources/assets composing rural livelihoods are assessed. In short, the materials used were based on a field journal, a record of interviews using a tape-recorder, photos, diagrams and questionnaires.

For the study of Mabomo and Mungaze (Levy 2016), results were presented according to the resource groups composing the 'spider-web diagram' visual-aid tool used to facilitate the focus group discussions, supplemented with data from other interview categories. Here, the elicited collaborative reflection appraising the resource groups compares these to a past period looking at the conditions in which practices are changing. Complementarily, results also made it possible to focus on actual livelihood strategies and response mechanisms, divided into migration, agriculture and livelihood diversification. Once identified, the pressing issue within livelihood change results, in this case under 'livelihood diversification', could be further triangulated and deepened on the intensified commercial production of charcoal and on its environmental and health effects.

### Livelihood Appraisal: Resource Groups

The exploratory period of fieldwork indicated the relation often made by interview partners that livelihoods have become increasingly impoverished

**Table 6.1** Three-period fieldwork approach using a range of interview categories

| | Interview categories | Material | Sample |
|---|---|---|---|
| **Period I** (April–June 2010) | 1. Informal (I) | Daily routine observation of agro-pastoralists, accompanying interviewees in their activities (farm, charcoal making, fetch water). Record of informal interviews using tape recorder and field journal | At least four, covering both age and gender differences, e.g. at least one young and one elder, one male and one female. $n = 15$ Mabomo; $n = 7$ Mungazi |
| **Period II** (November 2010–June 2011) | 2. Unstructured (bio) | Biographical narratives: assisted by a trained enumerator, interviews were tape recorded in the native language. Pre-analysis made it possible to select, which guided the second round of the interview | Greater proportion of elder interviewees, both male and female. $n = 13$ Mabomo; $n = 15$ Mungazi |
| | 3. Focus group (FG): participatory livelihood appraisal | **Activities and assets** List activities formerly/currently practised. For each activity the group indicates: assets needed, people involved, constraints and outcomes | Groups of eight people, of mixed gender and age. One session in each village, with average of two hours each |
| | | **Spider-web diagram** Assets indicated in the above FG were organized into resource groups according to the capitals framework. Using a scaled diagram each group had its stock ranked. The | Groups of eight people, of mixed gender and age. One trial session in Mabomo and one final session in each village, with average of 1.5 hours each |

(*continued*)

**Table 6.1** (continued)

| | Interview categories | Material | Sample |
|---|---|---|---|
| | | two comparative periods used were represented with different colours. Finally, the stock of resources was linked in a spider-web format | |
| | 4. Fully structured: household survey (HHS) | Closed and open questions were structured around the capitals framework, capturing information on livelihood activities, assets and wealth, infrastructure and services, evaluation of natural resource quality, food insecurity | Based on a village map, each household was identified by elders according to wealth groups. The sample randomly covered a proportion of ca. 20% from each group. $n = 22$ Mabomo; $n = 20$ Mungazi Duration average of two hours for each survey |
| **Period III** (Oct. 2011) | 5. Semi-structured interviews (SSI) | **Interview guide with open questions** With two aims: (1) to further information on each resource group; and (2) to gather more specific information on charcoal production | Key informants indicated by elders (1) to provide specific knowledge on each resource group. $n = 7$ Mabomo; $n = 7$ Mungazi (2) based on their level of engagement with charcoal production: non−/seasonal/intensive $n = 9$ Mabomo; $n = 4$ Mungazi |

*Source*: Author's own elaboration

since the formation of settlements. Thus methods for data collection were employed so as to better investigate changes in how the community is organized in relation to the assessment of resources.

The period chosen by the focus groups to compare with the current situation (2009–2010) was 1979–80. Both periods are related to extreme food insecurity since they are peak years of an extended dry period. So it seems that in the studied areas '[dry years] now last for longer periods. We often have only minimal harvest if any' (Ma_I_PI_Omar).[4] While it seems that there have always been years lacking rain, the agricultural calendar has become more irregular and dry spells more prolonged. Crop production has been insignificant, or failed in seven of the past ten years in these communities.

In the early 1980s, homesteads were still scattered. With the outbreak of the civil war and the post-independence government, households were encouraged to move into settlements. Increasingly, a concentration of households in one area with little support to improve infrastructure or access to information and conditions to improve production resulted in a strong impact of population pressure on already scarce resources (Ma_FG_PII_02; Ma_FG_PII_03; Mu_FG_PII_01; Mu_FG_PII_02). This argument unfolded from the focus group debates on the evaluation of resource groups. Figures 6.2 and 6.3 illustrate the spider-web diagram used to structure the debate.

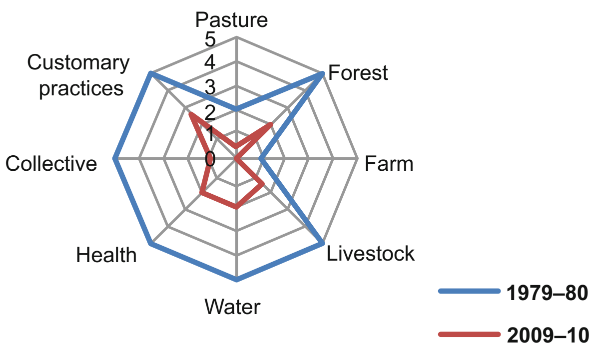


**Fig. 6.2** Mabomo: scaled resource groups (*Source*: own elaboration)

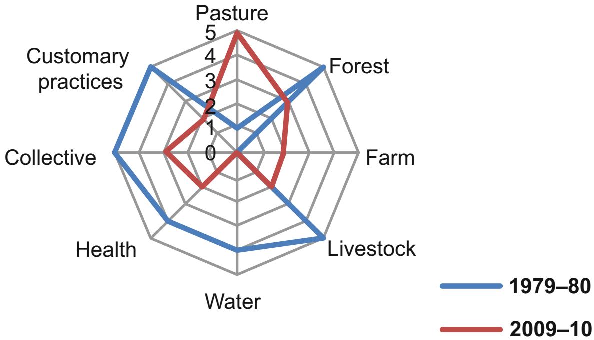


**Fig. 6.3** Mungazi: scaled resource groups (*Source*: own elaboration)

While in my thesis I bring more in-depth material, for the purpose of this chapter, Table 6.2 summarizes the results. The first column shows 'observed variables' informed by focus group discussions. The 'indicators' are then results from semi-structured interviews with key informants in the third period of data collection and, when available, supplemented with information from the household survey. The third column shows some implications of these changes for local livelihoods as indicated by key informants and participant observation.

The livelihood appraisal identified some aspects of change in the livelihood asset base through a comparative historical scenario and also between the communities. While there seems to be a general decline in the resource group assessment, in Mungazi the groups 'pasture' and 'farm' had an increase. To understand this result, specific information from Mungazi needs to be considered. In the first period evaluated, a nation-wide conflict affecting places near the border with South Africa hindered productive activities, resulting in their low rating.

In terms of 'collective action' in Mabomo, and to a lesser degree also in Mungazi, inter-household support is becoming monetized. From this result, it can be understood that Mabomo's easier access to transport and market increases the influence of cash-based livelihood diversification responses to crop failure. An analogous situation is that of 'forest'. While the last decade saw an increase in the role of forest resources in

**Table 6.2** Summary of resource group assessment

| Observed variables (source: focus groups) | | Indicators (source: semi-structured interviews) | Implications for livelihoods (source: semi-structured interviews; participant observations) |
|---|---|---|---|
| Water | Availability and quality of ponds/river areas; well: functioning; quality of water | Spread of diseases; lifetime and cleanliness of ponds; well: water salinity and limited quantity per household | Difficulty regulating uses among households; increased incidence of cholera; pressure on women's chores: long distances to fetch water; cues to use well |
| Health | In settlements easier spread of diseases; migrant work; availability of food; government-provided services | Increased HIV rate; lower life expectancy; charcoal production related to loss of body mass, back, respiratory and eye problems | Woman-headed households; low strength to work; poor harvests: decreased quality and quantity of food intake; production of charcoal to suplement income; increased vulnerability to diseases; services not always available; loss of knowledge on use of herbs |
| Collective action | Inter-household support; community-based tasks | Decreased availability of non-paid assistance to repair house/barn or on farm work/plough oxen; 'volunteer work' mainly upon food donation; reduced participation in ceremonies | Support dependent on cash payment; participation in collective activities increasingly reliant on benefits such as food-for-work; division of community among religious groups |

(*continued*)

**Table 6.2** (continued)

| Observed variables (source: focus groups) | | Indicators (source: semi-structured interviews) | Implications for livelihoods (source: semi-structured interviews; participant observations) |
|---|---|---|---|
| Customary practices | Knowledge of herbs; Handcrafts and clothing | Dependence on provision of medicines; need to purchase utensils, tools and clothes; influence of religious and political institutions; dispute over power | Decreased networking of exchange; need of monetary values for purchase of goods; decrease on social gatherings and traditional dances as well as on exchanges derived from these |
| Pasture | Depleted pasture around settlement; availability of ponds for livestock drinking/ distance to river; presence of inedible herbs | In the past decade, from a sample of fifteen livestock keepers in Mabomo, seven lost some animal because of 'drought'. In Mungazi from a sample of seven all suffered loss (HHS) | Longer distances to grazing areas, hence need to leave herd unwatched; Risk of theft/hit by train; increased death of animals due to longer distance to drinking areas; increased incidence of death by herbs' poison; households moving out from settlement |
| Forest | Advance of charcoal production within last decade | Household comm. Producing charcoal: from 5% in 2003 to 80% in 2011; number of commercial trees available; productivity: from five to two stoves/ha | Longer distances to charcoal production areas and for collection of firewood; constrained availability of wild foods; increased likelihood of house damage by winds |

(*continued*)

**Table 6.2** (continued)

| Observed variables (source: focus groups) | | Indicators (source: semi-structured interviews) | Implications for livelihoods (source: semi-structured interviews; participant observations) |
|---|---|---|---|
| Farm | Increased length of dry spells, from two up to five years | Harvest: decreased from 100 to 200 sacks of maize, 9 to 19 sacks per household; lower availability of plough oxen; Farm area availability along river (Mabomo) | Lower harvests lead to reliance on food donation/purchase of food; not having plough oxen, or money to rent it, limits cultivated area; concentrated in settlements, farm areas within walking distance become scarce |
| Livestock | Herds concentrated around settlement area | Animal health: increased incidence of rickettsiosis and dermatitis; easier spread of diseases | Approximation of herds around settlement area leaves them vulnerable to theft and increased transmission of diseases; difficult to increase herd size |

*Source*: Fieldwork May 2010–October 2011

both communities, the degree to which this is taking place is different between them. For example, the extraction of wood in Mabomo is no longer possible owing to an already depleted resource stock, and commercial charcoal production started a couple of years earlier than in Mungazi.

Access to transport and market may affect the type of resource depletion that is taking place. A similar assertion can be made with regard to the effect that external organizations may have, for example, on religious donations.

## Contributions from This Case Study to the Challenges of Transformation

The cases I studied represent a particular set of livelihood circumstances, for example, location in a semi-arid area; main livelihood activity as smallholder agro-pastoralism; a place not highly targeted by development projects. Furthermore, two main characteristics differentiate the two communities: proximity to a permanent river and access to market, transport and services. These differences are responsible for nuances that emerge when comparing these communities' livelihoods. They became more evident when drawing on results from the household survey. Here, contextualized information on the particularities of each community was important so as not to mistakenly generalize results.

Therefore, the characteristics that differentiate the communities are not considered per se but rather through manifestations with regard to the complexity of the livelihood resource base. These differences are manifested in how the communities are organized in relation to the socio-space and how resource assessment changes. These differences play a significant role in the range of livelihood options and the room for change that they may bring. Furthermore, they depict different degrees to which change is taking place. In this way, comprehensive livelihood appraisal can be a great approach and building block for the aim of (sustainable) development planning intervention. I argue that a comprehensive co-understanding of livelihoods requires situated tools of research and taking results back to the interviewees for triangulation and enabling contextualization of changes.

Having two communities assists in overcoming the probable bias towards verification, that is, the tendency to confirm the researcher's preconceived notions. The notion that farmers needed to adapt to climate change was revised, contextualized and reflected upon. It was seen that adaptation needed to be looked at not only in terms of production, but also through aspects that are related to the organization of socio-space, which contains productive activities and symbolic reproduction. The study was an evolution of the perspectives unveiled, thus constituting the problem, adapting methodologies that assist in understanding and triangulating the information. In this way, the adopted research procedure sought a particular combination of methods that gives room to confirm or falsify and create an understanding of the problem. Moreover, in this process of critical reflexivity, the two cases also presented deviations from what would be expected. These are, for example, that the actual situation of all resource groups is worse than in the past. Such a 'deviation' could be explored through the in-depth approach of the case study and bring rich information on why some resource groups are actually seen as being better than in the past.

It can be concluded that the livelihood study of the cases of Mabomo and Mungazi are 'most likely'. The basis for this conclusion is the fact that, despite their differences with regard to access to water and markets, livelihoods are fundamentally dependent on similar resources and choosing an unsustainable pathway. As informal institutions lose legitimacy in organizing the socio-space, formal ones are not in place to consider livelihood sustainability. Thus, the cause of impoverished livelihoods cannot be attributed to climate change alone. While it is an important tipping factor, other factors, such as the neglect of the smallholder sector and population pressure, are key macro factors that affect diverse impacts locally. Comprehending this relation is fundamental to understanding the status quo. In this pursuit, an inductively generated hypothesis (from Period I of the data collection—Informal interview) was further investigated. Livelihood conditions were frequently said to be 'better' when households were scattered, that is, prior to the formation of the community. Actor-oriented appraisal was used to understand why and how it was better, comparing the different periods. From this information it became explicit that changes in how the community is organized in relation to the use of resources (socio-spatial organization) influences the impoverishment of livelihoods.

## Reflection About the Chosen Data Collection Tools

The type of livelihoods the study aimed at found a basis in the debates on the SRL framework (Scoones 1998). More specifically, the notion of 'livelihood assets' (Bebbington 1999) and the asset pentagon, or capitals framework, assisted in structuring the focus group discussions and the household survey. Furthermore, the analysis and discussion sought to incorporate the role of institutions and to capture issues in their complexity and cross-cutting nature.

Informal interviews allowed the researcher to become acquainted with actual lifeworlds. Unstructured interviews through biographies made more explicit the relation between livelihood trajectories and the way households access resources. Thus, the argument, generated inductively, that changes in how the community is organized in relation to the use of resources (socio-spatial organization) exerts an influence on the impoverishment of livelihoods was further explored through focus group discussions, which situated the comparison of two time frames with different contextual conditions. They elicited collaborative reflection first by listing activities and assets and later by evaluating resource groups through the spider-web diagram tool. The use of key-informant interviews gave in-depth understandings of indicators on how this transformation is taking place. By taking results back to the field, asking questions on information previously given or using pictures, meta-level thinking was elicited. This makes it possible to raise livelihood research to a level above that of simply perceiving the complexity, to enable interviewees to reflect on their own life (Checkland 2010).

The choice of format for the household survey applied gave very specific information on the communities, identifying nuances in relation to the asset base of these households (e.g. in relation to water and pasture). The notion of assets also sought to cover more qualitative information on accessibility, opportunities and constraints. However, doing so demanded an investment in terms of time for respondent inputs and analysis that could consider these singularities. Therefore, in-depth material proved to be essential in understanding the results. Thus, the interplay of more thick descriptions and complementary survey data, however labour-intensive, proves to be a complementary combination for pursuing comprehensive livelihood studies in cases where baseline data are lacking.

The understanding generated from the livelihood study can be fundamental for taking action, for example, through the facilitation of farmer groups. Besides the information obtained by the researcher, the methodological approach worked towards making tacit knowledge explicit, facilitating collaborative reflection and in-depth analysis on how people are currently making a living and how livelihood trajectories are taking place. Furthermore, and as seen in the following statement from a concluding moment on the spider-web diagram, the approach raised awareness, which could facilitate further planning and action:

> This is like school for us because we also learn about ourselves. We see that much seemed to have changed from the coloured lines. We need to work to reverse this because it does not seem that we are on a good path (Ma_FG_PII_03).

This research tested a particular combination of interviews that took a fluid format according to the context in which it was located. What can be concluded is that the approach adopted contributes to retrospective livelihood studies in research areas where baseline data are lacking and longitudinal comparisons cannot be made. It encompasses techniques that can be useful in triangulating information in terms of tools and sources of data collection. It works towards unveiling the background of the problem being investigated, linking the micro level to a macro context. In this way it was possible to capture socio-cultural and political processes and the how and why behind the use of assets composing local livelihoods. Thus, the analysis could be detached from a thematic lock-in, climate-driven vulnerability to unveil a variety of contextual processes influencing livelihood trajectories.

In sum, the dialectical interrelation of interview categories moved between experience, memory and narration, which is essential to a comprehensive study of rural livelihoods. The cases of Mabomo and Mungazi show that the use of multiple-method research is well suited to the study of livelihoods, since it (a) allows for the collection of different kinds of data; (b) reduces problems of reactivity, where people change behaviour near the researcher; (c) allows for more sensible questions; (d) helps understand the meaning of observations; and (e) allows for a general understanding of how social institutions work (Bernard 1993). Moreover, the study presented worked towards validity not only by employing triangulation among different techniques, adequate sampling and giving voice, but also by taking issues back to the informants. The approach for livelihood appraisal, as well as for the facilitation of farmer groups, would hardly be sustained through independent PhD research; financial support from the project in which it was inserted was fundamental. The simultaneous application of the methodology in Mabomo and Mungazi reinforces the features described in this methodological approach to the extent that it allowed for testing, improvement and triangulation of data collection tools.

## Concluding Thoughts

The challenge to understand the social reality(ies) of rural livelihoods through an action-reflection engagement fundamentally requires understanding the context of the research methods. The presentation of results in this chapter illustrates the possibilities provided by the approach adopted. The conceptual choice for an analysis that encompasses the 'organization of the socio-space' sought to react to the challenge for a comprehensive study of livelihoods. In this way, and in building on the SRL debate, it sought to grasp the dynamics of livelihoods in their broadest sense.

The interplay of data collection and pre-analysis enabled research questions to embrace concepts emerging from the field. Furthermore, complementary and triangulated interview categories sharpened and deepened the investigation. Among these is the category of focus group discussion, which also used the spider-web diagram tool. The use of this tool facilitated the appraisal of livelihoods also retrospectively, depicting dynamics and meaningfulness. Moreover, the approach adopted worked towards unveiling the background of the problem investigated, linking the micro level to a macro context. In this way, it was possible to capture socio-cultural and political processes and the how and why behind the use of assets composing local livelihoods. For the cases of Mabomo and Mungazi, this was done through an appraisal of periods of similar climatic characteristics. In this way, the analysis could be detached from a thematic lock-in (climate-driven vulnerability at the outset of the funded project) to unveil a variety of macro-level processes influencing the livelihood trajectories of the agro-pastoralists.

Retrospective reflection on asset appraisal connected these to the organization of socio-space. Here it elicited the influence of institutions in defining capabilities towards more or less vulnerable societies. Thus, this form of analysis helps to locate the influence of the tendencies in the international context in driving local development. The extent of such impacts was, however, just pointed out as in the case of the background of charcoal production or the effects of food donation on collective action.

Smallholder agro-pastoralists represent the majority of Mozambique's population. However, the country faces continual internal political strife and is subjected to the power of local political hierarchies and to international strategic interests. Furthermore, the country may be further greatly impacted by the effects of climate change, which are mainly suffered by low-input agro-pastoralists. Rather than relying on food donation, more sustainable action is needed to assure food security in Mozambique.

This study assembled a variety of innovative methods for livelihood appraisal. It is clear, however, that such methods still require fine-tuning and improved reflections. The context specificity of the research is a fundamental element, which does not hinder its replication but may strongly influence expected outcomes. This approach of reflexive analysis can be a key step in development cooperation projects for actor-oriented and meaningful intervention.

Further research could, for example, consider the configuration of social networks of support and information while drawing on biographical information (for example, through participatory ego-centred social network mapping) to look at how local support mechanisms are changing. The configuration of social networks influences living and working conditions. For example, it influences the informal social security system through farmer-to-farmer forms of support and exchange and in the spread of information and innovation. The study of livelihoods could further profit from more in-depth information on the role of migration and gender, as well as on issues related to land property in relation to development projects gaining popularity in rural areas.

The actor-oriented study of livelihoods thus works to build a mutually shared definition of the situation. Furthermore, it allows the researcher to grasp and seek to foster the conditions that promote agency as an essential condition to build more resilient livelihoods. For example, in Levy

(2016), I presented the process that took shape through the facilitation of farmer groups, one in Mabomo and one in Mungazi. It focused on how the inter-subjective construction of this mode of research enabled or at times hindered learning as collaboratively generated.

## Notes

1. De Schutter and Vanloqueren (2011) treat agricultural extension services as public goods. These services 'provide rural people with the access to knowledge and information they need to increase productivity and sustainability of their production systems and improve their quality of life and livelihoods. It includes, but is not limited to, the transfer of knowledge generated by agricultural research' (NRI 2011: 2).
2. Or third rank, whereby the first is the Zonal Chief, and the second the Community Chief—'Chefe da Aldeia', popularly called 'Leader'. The local structure also counts with the Party's representative and the secretary.
3. Ian Scoones (IDS), public communication to the development of Sustainable Livelihoods Approaches (SLA) at the IDS Livelihoods Network's SLA seminar, 13 October 2008.
4. The reference codes are structured so as to indicate (Village)_(Interview category)_(Period of fieldwork)_(name of interviewee/sequence).

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# Part II

## Urbanization and Sustainable Livelihood

# 7

# A New Approach to Rural Labour Mobility in the Labour Surplus Economy: A Tripartite Labour Supply Model

Cheng Li

## Introduction

Along with economic development, labour migration, either internal or transregional, is an urgent topic for most countries, especially those underdeveloped and with wider economic disparities, in the context of economic transformations caused by rapid industrialization and massive urbanization. Given the fact that industrial development indeed creates jobs and can absorb the 'reserve army of labour' from rural areas, economic development is often defined in terms of transferring a large proportion of workers from agricultural production to industrial activities (Ranis and Fei 1964). In other words, the process is often viewed as a phenomenon whereby a worker migrates from a lower productivity rural job to a higher productivity urban industrial job (Todaro 1969).

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However, the sustainability of such a development model is brought into question by the remaining 'surplus' labour force from rural areas, especially in the context of a gradually diminishing demographic dividend, as well as the impacts of rural income improvement in terms of agricultural productivity, rural livelihood and agricultural development. The concept of labour surplus is found prominently in literatures of development economics, which mostly focus on underdeveloped and overpopulated economies (Ranis 2004). *Labour surplus economy* is a concept within the Lewis economic dualism and is used as an analytical tool for development economics, referring to a huge rural labour force in excess of the urban capacities to absorb it within its industrial development and the related process of allocation of the so-called surplus labour force from agriculture to industry and service.

Lewis's dual sector model, a theoretical investigation into the existence of labour surplus and its reallocation process, was the first seminal theory, followed by the Ranis–Fei labour surplus model, focusing on industrialization with the interaction of agriculture, in turn followed by Jorgenson's agricultural surplus model, focusing on the development of agricultural surplus in the process of labour migration, and questioned by the Harris–Todaro dual economic model, which concentrates on urban unemployment for the balanced growth of a dual economy. In both classical and neoclassical approaches, the main foundations and references rest on the theory of rural–urban labour migration. In addition, although there are theories, like the push–pull model, the new economics of migration model, migration and development transition theory, historical–structural and political economy theory and so on, they all mainly target the general theory of migration.

Yet, when it comes to explaining the sudden wage increase of migrant workers, some of the mainstream studies in the field of development economics mainly argue that the existing 'surplus' labour force in the agricultural sector can facilitate the expansion of the industrial sector without increasing wages for a period of time until the surplus labour force is exhausted. Therefore, based on the analysis of the four aforementioned theories, this chapter adopts a new approach by reviewing rural–urban migration in the context of the labour surplus economy. By highlighting the significance of rural income in reframing the existing theories in development economics, this chapter attempts to provide different understandings of rural labour mobility from a heterodox perspective, explaining that the sudden increase in wage level does not stem from the exhaustion of an unlimited supply of surplus labour, but because the income of agricultural producers (or rural labourers) has reached the same level as that of migrant workers, which fundamentally provides a favourable bargaining position for migrant workers to negotiate with industry collectively.

## Rural Labour Mobility in Classical and Neoclassical Discourse

Among most classical economic theories, labour, as one of the fundamental factors of production, is assumed to have an infinite supply as long as the wage is above zero. From Adam Smith to Karl Marx, all assumed that an unlimited supply of labour was available at subsistence wages (Lewis 1954). However, when viewed from the perspective of neoclassical theory, with the personal propensity between leisure and work being under the mechanism of the income and substitution effects, the individual supply curve, after reaching a certain level of wage rate, starts to bend backwards. Even from an aggregated level, with the impact of exogenous factors on the labour market, such as collective bargaining from trade unions or minimum wage legislation from the state, the supply of labour is no longer infinite.

As reflected in reality, it seems that the neoclassical argument is comparatively rational. However, its reliability is not demonstrated, regardless of the fact that some of the underdeveloped countries today are still operating within a classical framework (Jorgenson 1967). Strictly speaking, unlike most developed countries, underdeveloped countries at least do not suffer a labour supply constraint. Thus, the key point here relies on the notion of *underdeveloped*. As in some of the development economic theories, an economy is generally regarded as being underdeveloped if it has a labour surplus, in which the vast majority of the population is typically engaged in agriculture amidst widespread disguised unemployment and high birth rates (Ranis and Fei 1961).

Hence, the problem, on the contrary, lies in the transfer of surplus labour from unproductive to productive employment so as to promote economic growth.

Such an issue was tackled from different theoretical perspectives as follows: Lewis in his dual economy theory focused on the labour surplus reallocation process in the growth of national accounts; Ranis–Fei placed extra emphasis on industrialization with the development of agriculture; Jorgenson relied on the development of agricultural surplus in the process of labour migration; and Harris–Todaro centred on urban unemployment and underemployment in the balanced growth of a dual economy.

## Unlimited Supply of Labour in Dualist Economy: Lewis Dual Sector Model

By combining an analysis of the historical experience of developed countries with core issues of classical economics, Lewis (1954, 1958a, b, 1966, 1967, 1972, 1979) succeeded in producing a profound model of the development process for less developed economies. His model, also known as the dual sector model, is based on the fundamental assumption of unlimited supply of labour, where there are large sectors of an economy whose marginal productivity of labour is negligible, zero or even negative. This can be measured from the perspective that there are labourers considered to be surplus within the agricultural sector where even by reducing the supply of labour, the output of the sector remains the same.

Therefore, since the labour supply can be described as unlimited, labourers either stay where they are listed as unemployed or migrate to other sectors in search of employment. The dual division of the economy initiated by Lewis was the first to describe such a process. According to Lewis, as per its production functions, the economy is divided into two sectors—the capitalist sector and the subsistence sector. Wage in the capitalist sector stands at a certain minimum level[1] above subsistence earnings, the logic being that people would not leave the family farm to seek employment elsewhere if the wage is worth less than what they would consume if they remained at home.

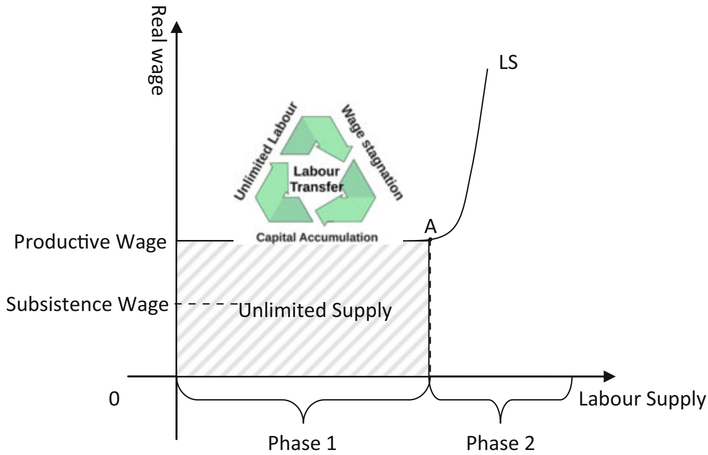


**Fig. 7.1** Lewis model (*Source*: Lewis 1954)

Thus, the process of economic development basically consists of the reallocation of surplus agricultural workers to industries. At an early stage of development, as long as real wages in the capitalist sector are higher than in the subsistence sector, and the supply of labour from the subsistence sector becomes infinite with respect to the demand of labour in the capitalist sector, there will be an 'unlimited supply of labour', according to Lewis. That is to say, the capitalist sector expands, absorbing the surplus labour from the subsistence sector, for a certain period (Phase 1 in Fig. 7.1) without any pressure to raise wages.

This results in higher returns to capital, leading to reinvestments in capital expansions. In turn, the increase in capital stock leads the capitalists to expand employment by drawing further labour from the subsistence sector. Given the assumptions of the model, the process becomes self-sustaining and leads to modernization and economic development. However, it continues until surplus labour diminishes from agriculture, and wages need to be raised to get more labourers for the expansion of the industrial sector. The point (A in Fig. 7.1) at which the surplus labour in its subsistence sector is fully absorbed into the capitalist sector, where further capital accumulation begins to increase wage is called the 'Lewis Turning Point',[2] arguing that the existing 'surplus' labour force in the agriculture sector could facilitate the expansion of the industrial sector without increasing real wages for a period of time until the surplus labour force is exhausted—the exhaustion of the surplus labour supply is the turning point located at the point where the wages start to increase.

After the Lewis turning point, when capital catches up with the labour supply, an economy enters the second stage of development (see Phase 2 in Fig. 7.1). Classical economics ceases to apply; as Lewis argued, 'we are now in the world of neo-classical economics, where all the factors of production are scarce, in the sense that their supply is inelastic. Wages are no longer constant as accumulation proceeds . . ..' Therefore, his theory mainly refers to the first stage of development, concluding thereby that wage, at the subsistence level, and labour, as the unskilled surplus, are the main characteristics of the labour market, leading to a situation in which new industries can be created or old industries expanded without limiting the existing wage level. By shifting surplus labour continuously, without any pressure to raise the wage level, it is possible to accumulate capital.

## Agricultural Commercialization Under Interaction Between Agriculture and Industry: Ranis–Fei Labour Surplus Mode

By drawing liberally on the stock of already accepted ideas (mainly referring to the Lewis model) and recognizing the main drawbacks of the indifference of the role of agriculture in boosting industrial expansion, John C.H. Fei and Gustav Ranis, in the neoclassical approach, proceeded towards a general explanatory model of economic growth. The Ranis–Fei Model, an extension of the Lewis model, is also known as the labour surplus model.

Considering the Lewis model as a starting point, Ranis and Fei (1961, 1964) further expanded the models. Hence, based on the analysis of dual economic structures, they introduced the key concept of agricultural surplus as endogenous variables, promoted by the improvement in agricultural productivity, and determined the success of economic development. Also, by highlighting the significant role of agricultural development as the backbone of industrial expansion, they focused on

Model II[3] (as Lewis called it), in which the capitalist sector depends on the non-capitalist one for agricultural products and argued for subdividing the Lewis model into three stages of economic growth (Fig. 7.3).

Therefore, to illustrate their model in a clear way, without modifying the original model, seems difficult. In Fig. 7.2, the total agricultural labour force is measured on the horizontal axis OM and agricultural output on the vertical axis with the extension of OX. The curve OKGN (from left to right) describes the total physical productivity (TPP) of labour in the agricultural sector, which is also assumed to have a convex portion, OKG, showing a gradually diminishing marginal productivity of agricultural labour, and a horizontal portion, GN, where the marginal product vanishes. The curve MISU (from right to left) describes the marginal physical productivity (MPP) of labour with the average agricultural output measured on the vertical axis on the right part with the extension of MN. The vertical distance of MY is assumed to represent the institutional wage.[4] Therefore, the development process can be divided into three stages—the first stage, where MPP $= 0$; the second stage, where $0 <$ MPP $<$ institutional wage rate; and the third stage, where MPP $> 0$.

To reflect on the industrial sector in accordance with changes in the agricultural sector, Fig. 7.3 illustrates a better position of the Ranis–Fei model. Hence, three stages of development now come into clear focus, as described in the following subsections.

## Phase 1: Disguised But Visible Unemployment

The first stage is very similar to that of Lewis. Disguised unemployment is considered 'visible', as the elasticity of labour supply is infinite and the marginal product of labour is zero. Therefore, any transferred labour from the agricultural sector will not change its total output. The TPP curve appears constant (NG) to the total labour output with the process of agricultural surplus labour force reallocated. This is also where agricultural surplus is generated since the transferred labourers stop consuming in the agricultural sector.

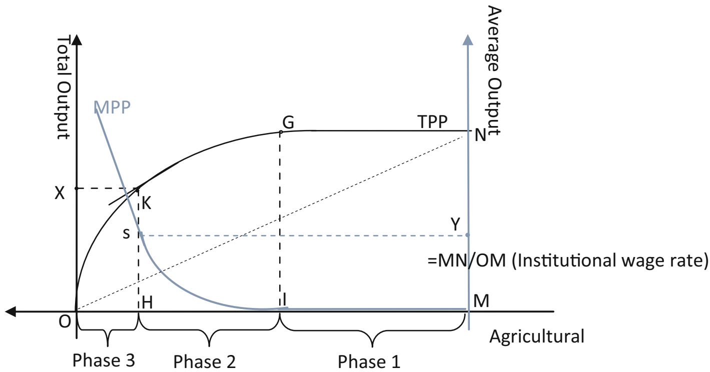


**Fig. 7.2** Ranis–Fei model in agricultural sector (*Note*: Based on the original model, the modification is simply combined by the author with both the MPP curve and the TPP curve together into one figure. *Source*: Modified based on Ranis and Fei 1961, 1964)

## Phase 2: Disguised But Invisible Unemployment

The second stage starts with rising productivity in the agricultural sector, where the MPP curve starts to move upwards (IS in Fig. 7.2). It maintains disguised unemployment because at this stage MPP is still less than the institutional wage rate, that is to say, the agricultural labourer is still paid higher than his/her contribution to output. Therefore, until Phase 3, a regular process of reallocation of the disguised unemployed agricultural labour force takes place. The employment is 'invisible', as at this stage labour transfers from the agricultural sector start to affect the total agricultural output as the TPP curve starts falling down and relates food price increase. Reflecting on the industrial sector, the wage rate then could no longer maintain the same as in Phase 1, because the real wage of industrial workers decreased as a result of increasing food prices. That is why in Fig. 7.3 the productive wage rate starts to rise, understanding wage compensation as a function of the loss of real income, as induced by rising food prices.

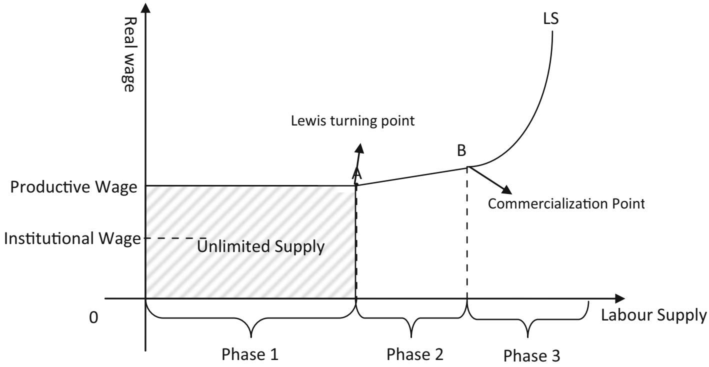


**Fig. 7.3** Ranis–Fei model in industrial sector (*Source*: Ranis and Fei 1961, 1964)

### Phase 3: Point of Commercialization

The third stage begins with the ongoing process of transfer, since phases 1 and 2 had already indicated the existence of the disguised unemployed labour force in the agricultural sector. However, at this stage, the marginal productivity of labour exceeds the institutional wage rate (after the commercialization Point B in Fig. 7.3), whereby the marginal contribution of labour to output becomes positive. This gives the remaining labourers a greater position to charge agricultural landlords and industrial capitalists, according to their marginal contributions in the market. That is to say, the agricultural sector becomes commercialized as the institutional wage is abandoned and competitive market forces yield the commonly accepted equilibrium conditions.

## Agricultural Surplus as Precondition for Rural Labour Migration: Jorgenson Agricultural Surplus Model

In contrast to Lewis, Ranis and Fei (whose models were constructed mainly for predictions), under another neoclassical framework, Dale W. Jorgenson constructed his own model as a supplement to the Ranis–Fei model by contrast analysis, using data, especially from Japan, as evidence for rejecting the Ranis–Fei model. Jorgenson developed a model also based on a dual economy, analysing the way the expansion of the industrial sector was dependent on the development of the agricultural sector. His model, also known as the agricultural surplus model, is based on the perception that agricultural surplus is a fundamental precondition for labour migration.

In line with classical assumptions, the dual economic divisions in Jorgenson's model are also divided into two sectors, the manufacturing sector with advanced features and the agricultural sector with backward features. Productive activity in each sector is assumed to be characterized by a function relating output to the factors of production—land, labour and capital. Therefore, in the agricultural sector, there are only functions of land and labour, while in the manufacturing sector, there are only capital and labour. Furthermore, each production function in both sectors is also assumed to shift over time so that a given bundle of factors generates a higher level at one date than at an earlier date. The process is an autonomous shift corresponding to technological changes.

The model is illustrated in Fig. 7.4. When food output is more than sufficient, that is to say, if the per capita food output exceeds the minimum level of per capita output needed for a population to grow at its maximum rate (Point B in Fig. 7.4), and the growth rate of agricultural production exceeds the rate of population growth at its maximum level, agricultural surplus emerges (illustrated as the dashed area). Subsequently,

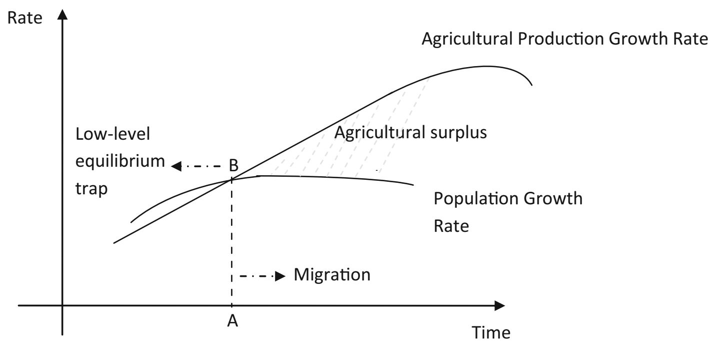


**Fig. 7.4** Jorgenson dual economy model (*Source*: Compiled based on Jorgenson theory)

it is when a rural labour force surplus is generated (Point A), thereby 'freeing' some labourers as migrants for employment in the industrial sector.

Hence, a positive and growing agricultural surplus assures that the rate[5] of growth of agricultural labour force will be less than that of the population; accordingly, the ratio of industrial labour force to agricultural labour force is always increasing, ensuring subsequent migration to the industrial sector. Following this process,[6] the industrial sector expands, and the general national income builds. However, with the reverse process, the country will sink into Leibenstein's 'low-level equilibrium trap', whereby eventually manufacturing activity is brought to a halt, capital is allowed to depreciate without replacement and the country will fail to become a modern industrialized country (Jorgenson 1961), as indicated by the direction of the arrow in Fig. 7.4. Therefore, the scale of agricultural surplus determines the development of the industrial sector, as well as the scale of rural surplus labour for migration.

## Labour Mobility Under Individual Rationality and Urban Unemployment: Harris–Todaro Dual Economic Model

Unlike all previous theories, the Harris–Todaro model denied the existence of a surplus agricultural labour force in underdeveloped countries (although Jorgenson did not agree with the classical model of unlimited labour surplus and the generation of labour force surplus, the hypothesis that labour migration from agriculture to industry is still the result of agricultural surplus), arguing that labour migration from rural to urban is based on a rational expectation equilibrium of individual labour, determined by the discrepancy of urban–rural expected income. The greater the discrepancy, the greater the flow of migrants to the urban sector.

Despite the existence of positive marginal product in agriculture and significant levels of urban unemployment, through the economic phenomenon in many underdeveloped economies, rural–urban labour migration not only continues to exist but also appears to be accelerating (Harris and Todaro 1970). John R. Harris and Michael P. Todaro (1970) built a dual economic model that is developed and used in development economics and welfare economics to explain some issues concerning rural–urban migration. It also adds that the deficiency in the classical model in terms of verifying rural–urban migration in a context of high urban unemployment can be economically rational.

The model assumed that the migration decision is based on the expected income differentials between rural and urban areas rather than just wage differentials. Specifically, when analysing the determinants of labour supplies, one must look not at the prevailing real income differentials but rather at the rural–urban 'expected' income differentials, based on two principal variables—the urban–rural real income differential and the probability of obtaining an urban job. Unlike other theories, the Harris–Todaro model combines the characteristics of real situations in less developed countries. The process of rural–urban migration is divided into two stages. The first stage is when an unskilled rural worker migrates to an urban area and initially spends a certain period of time in the so-called urban traditional sector; the second stage refers to the eventual attainment of a more permanent modern sector job. The model (Fig. 7.5) also consists of two sectors—modern industrial and traditional agricultural sectors. The total labour force is L, where $L_A$ is workers in the agriculture sector, $L_M$ is workers in the modern sector and $L_U$ is

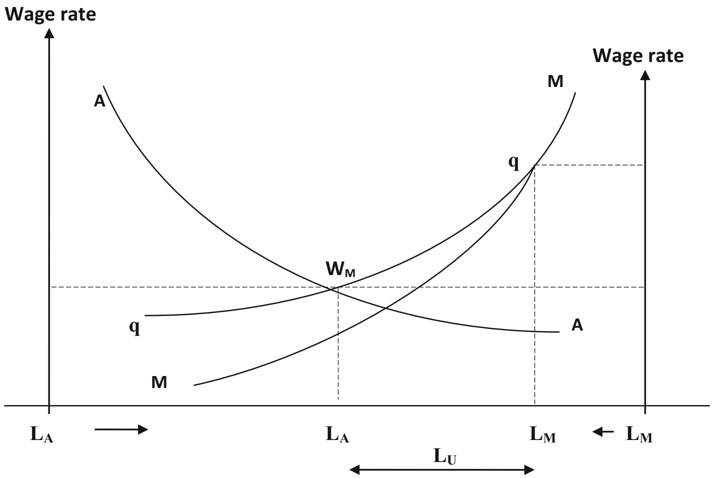


**Fig. 7.5** Harris–Todaro model (*Source*: Compiled based on Harris and Todaro 1970)

unemployed workers. AA represents the demand for labour in agriculture and MM represents demand for labour in the modern sector.

At the initial stage, based on the assumption that wages are flexible in both sectors since wages are equal, there is no condition to induce migration. However, migration started with wages in the modern sector stuck at level $W_M$, which is higher than the level that would clear the labour market. Subsequently, unemployment is induced. When expected income in the urban sector equals $(L_M/L_M + L_U) * W_M$, which is higher than rural income, migration begins. This is shown in Fig. 7.5, where qq determines the expected income in the city. As migration occurs, two things happen: the rural wage and the urban workforce rise. Since rural workers perceive the probability of getting an urban job as $(L_M/L_M + L_U)$, rural–urban migration will continue. The equilibrium condition where the rural wage $W_A$ would equal expected urban income, workers would become indifferent about being in the city or the countryside, and that is where the qq curve crosses with the AA curve. No further migration takes place.

In summary, the theory of the development of a dual economy for underdeveloped economies has been approached within both classical and neoclassical frameworks from different perspectives, analysing the same process of a dual structural development. The classical one is best represented by Lewis' model, while the neoclassical perspective is depicted using the Ranis–Fei, Jorgenson and Harris–Todaro models. The primary difference between these two approaches lies mainly in the conditions governing the supply of labour from an agricultural (traditional, unproductive, backward, subsistence) sector to an industrial (modern, productive, advanced, capitalist) sector.

More specifically, all the aforementioned selected models are the core essence of development economic theory in terms of rural–urban migration and contain high research and theoretical values, especially for the development of a dual economy. Each perspective explores the labour migration process under the dual economic structure in relation to the theory of development and economic growth. These models are fairly complex as they deal with dynamic optimization problems (Ghatak 2003). Their synthesis could probably include the overall economic phenomenon in a dual economy. However, all economic models have limitations, but that does not prevent further theoretical study and high reference values.

## Tripartite Labour Supply Model

Based on the aforementioned theoretical analysis and benefiting from the significant contributions of their findings, as well as their respective limitations, a tripartite labour mobilization model is proposed as a new approach to rural labour mobility in the labour surplus economy. It is a model that adopted the core essences from the previously named theories, such as the reservation of the dual sector divisions from Lewis, absorption of the compensatory wage mechanism of Ranis–Fei, acceptance of the differentials of expected income as the main driving force for labour migration from Harris–Todaro, and the notion of agricultural surplus from Jorgenson.

Therefore, the model was designed to reflect an idea of balanced development and aims to have a transfer neither in a way to cause high urban unemployment nor in a way of ignoring rural labour force underemployment or indifference in the low-productive activities; it also replaced the traditional division of labour market in dichotomy by trichotomy. The innovative idea, to separate the labour market into three divisions, demonstrated an alternative interpretation of the so-called Lewis turning point, and showed the essential reasoning behind the sudden increase in wages of migrant workers, as well as possible solutions to the developmental bottleneck based on labour surplus economy.

### Special Notes on Redefining Labour Surplus: Neither Classical nor Neoclassical

From a neoclassical point of view, a surplus labour force can be measured by the marginal productivity of labour, which equals zero or is negative. Thus, the labour force, like other factors of production, is considered to be surplus. However, in reality, especially in an economic sector considered to be backward, unskilled, having low productivity, lowly paid, and so on, considering labour to be surplus sounds really harsh, revealing a strong ignorance of workers' economic and social contributions. Furthermore, no evidence can be found in reality to prove the existence of so-called labour with surplus features. Apart from the peak period of planting and harvesting seasons under conditions of a serious labour shortage, people even share workloads and work hours with each other during the off season. That is to say, no one's work inputs can be treated as useless. Returning to marginal discourse, nobody can be said to have a negligible or zero marginal productivity.

Therefore, the labour surplus economy in this chapter does not target any individual labourer. First, it mainly refers to a country with a large population that exceeds its capacity to allocate workers into non-agricultural sectors, as a result of which many labourers in rural areas are engaged in comparatively lower productivity work owing to shared workloads or work hours. Second, rural development, especially in terms of improvement of agricultural productivity, mainly by the adoption of technology with labour-saving features, results in the fact that more and more labourers will be unleashed along with the process. When they are not promptly reallocated, they might still remain in rural areas or be considered 'disguised unemployed'. Third, along with the spread of education universalization, many people in rural areas receive more and higher education; some of them may not like to participate in agricultural activities; however, with limited absorption capacity of fledgling non-agricultural sectors, some might have to stay in rural areas, involving their unwilling desire to become involved in economic activities.

Therefore, in this model, little attention has been paid to the marginal productivity of labour. A labour surplus economy is considered more of an economic phenomenon than as having concrete meaning. In a sense, the so-called labour surplus economy in underdeveloped countries can be viewed as a process by which capitalist relations of production penetrate into the traditional agricultural sector, causing a series of changes in terms of agricultural relations of production and the general law of capitalist accumulation, as reflected in the dynamic performance of the agricultural sector.

## Labour Market Assumption: Triple Divisions of Labour Market

The analysis starts with interactions between rural and urban sectors, since the urban sector specializes in the production of manufactured goods and services, part of which is exported to the rural sector in exchange for agricultural goods; the rural sector has a choice of either using all the available labour to produce agricultural goods or using only part of its labour to produce the same amount of goods while transferring the remaining labour to the urban sector in return for wages, in which migrant labourers maintain their ties with the rural sector, and the income they earn as semi-urban workers is considered from the standpoint of sectoral welfare, as accruing to the rural sector.[7] The entire labour market in this chapter is divided into three sectors (Fig. 7.6), namely, the agricultural producers/rural labourers market, floating migrants/migrant workers labour market and urban labourers market. As both rural and urban sectors are subdivided into two markets, with the common feature of having access to cultivable land, the rural sector is divided into agricultural producers and floating migrant workers; with the common features being a shared space, the urban sector is divided into migrant workers and urban workers.

Based on previous assumptions on dual sectors, both agricultural producers' labour market and the urban labour market are comparatively simple. But floating migrants/migrant workers are rather complicated.

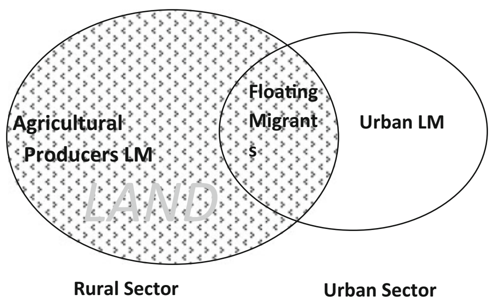


**Fig. 7.6** Labour market triple divisions (*Source*: Self-compiled)

Although the process of rural–urban migration is indeed as simple as a labour migrating physically from rural to urban, it cannot be taken for granted. More specifically, and taking the Harris–Todaro model to elaborate, this migration process involved two stages: in the first stage, labour involves a period of time in the urban 'traditional sector'; in the second stage it attains the status of a permanent modern sector. As such, the model indeed recognizes this separation by professions in the urban sector, as their first stage, pointing out the profession mainly taken by rural migrants in the urban traditional sector, were marked as being low-skilled, low-paid and having low value added. However, this segregation does not in any way deny the interactions of both rural migrants and urban citizens employed in the same market. This chapter also highlights the parallel existence of migrant workers' labour market along the whole process of economic development.

## Modified *Homo Economicus* Assumption

Monetary incentive has been used for migration decision-making assumptions in many theories of development economics, like the Harris and Todaro theory. In this chapter, monetary incentive is still held as the primary inducement for the migration decision-making process, but not as the sole factor. To elaborate this point, the concept of *homo economicus* has to be used with some modifications, where it considers that human acts attain the highest possible well-being for individuals given the available information about opportunities and other constraints, both natural and institutional, on their ability to achieve predetermined goals (Shao et al. 2007). And the modification lies in the substitution that a family as a whole acts like such individual *homo economicus*. The migration decision-making process lies in the maximum utility of interests, just as for an entire family.

To understand this point, one has to go back to the migration process within this model. Since the entire labour market was subdivided into three sectors, the rural–urban migration process subsequently turns out to be different from the regular one, as rural migrants mostly flow into the floating migrants' labour market instead of the skilled urban labour market. However, owing to the positive impact of the development of agriculture (partly benefiting from interactions with the non-agricultural sector) like shared infrastructure, new technology, newly invented varieties, and adopted fertilizers and biotechnology, agricultural productivity is increased directly and indirectly, leading to unleashing more and more labourers in rural areas. Thus, the rural labour force naturally granted the objective conditions of transferability[8]; in the meantime, this transferable feature is not necessarily the alternative; that is to say, people who choose to migrate do not necessarily have to give up agricultural activities. For example, the optimal combination, from the point of view of *homo economicus*, lies in the fact that people migrate during slack times and return during rush periods. As for the family as a whole, divisions of labour can emerge where some labourers are migrants and some remain, thereby reaching the optimal combination with the maximum utility of the entire family.

## Tripartite Labour Supply Model: Labour Mobility Among Triple Divisions of Labour Market

Based on the foregoing assumptions, a tripartite labour supply model is constructed (Fig. 7.7), illustrating the whole process of labour mobility among triple divisions of the labour market. As a whole, the labour force was subsequently divided into three parts—agricultural labour force, migrant labour force and urban labour force, each having a supply function based on relations between real wages and the supply of labour. As in Fig. 7.7, the vertical axis represents the real wage rate and the horizontal axis the size of the labour force. Four levels of wage rates were given under statistical comparisons, the highest level being the urban wage and the lowest the migrant living cost. The wage rates for both the urban labour market and the floating migrant labour market are in the form of direct remuneration of wages; however, the wage rate for agricultural producers is measured as consolidated revenues, including all forms of monetary income, like the yield of agricultural products, farming subsidies, and so forth, since there is no conventional wage. Therefore, each labour supply curve would be elaborated correspondingly;

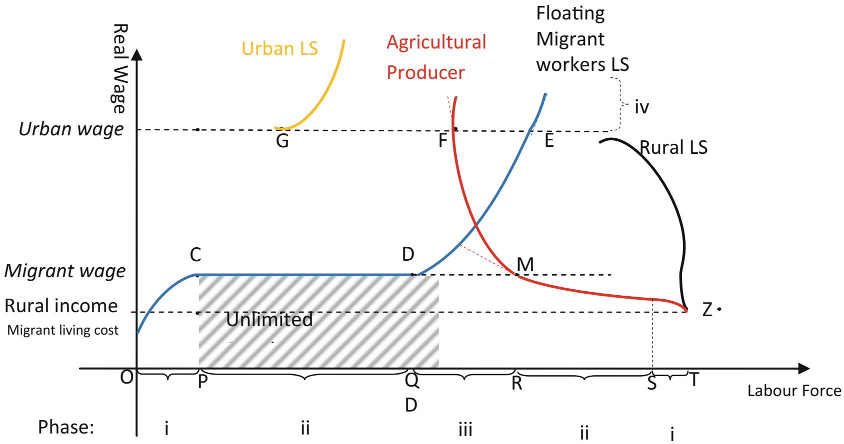


**Fig. 7.7** Tripartite labour supply model (*Note*: Migrant net earning = migrant wage − migrant living costs. *Source*: Self-compiled)

furthermore, a four-stage development with all connections and interactions among the curves will be discussed as follows.

## Urban Labour Market and Rural Labour Market (as a Whole)

The supply curve of the urban labour market is demonstrated by a vertical and rightward bulging shape (leftmost curve in Fig. 7.7). Owing to a particular kind of institutional barrier segregating the urban from the rural population, the overall supply of labour curve is manifested by an inelasticity of the real wage, reflected in a combination of a stable proportion of the labour force and a full range of wage rates. That is to say, the entire working age population of the urban sector has to participate in the urban labour market regardless of any given rate of wage (but above a minimum level), including those who are unemployed. The rightward bulging part illustrates the proportion of any form of effective migration from abroad and the rural sector. The reason the curve does not continuously bend rightward is the diminished growth of the labour force participation rate under the general tendency of the low birth rate of the population, along with economic development. With regard to the situation for the rural labour market as a whole (rightmost curve in Fig. 7.7), it is similar to the supply curve of the urban sector. The only, slight, difference lies in the leftward bulging shape, meaning a reduction of labour. This is because it also shows the same population tendency as the urban sector, together with the proportion that officially migrated to the urban sector.

## Agricultural Producers' Labour Market and Floating Migrants' Labour Market

The blue curve denotes the labour supply function of the floating migrants/migrant workers and the red one that of agricultural producers. The floating migrant labour supply curve, apart from several shifts (Turning Points C, D and E), demonstrates a positive feature between wage and labour. However, the agricultural producer supply curve, in contrast, demonstrates a negative relationship, as shown in Fig. 7.7, which is mainly because the relationship of agricultural producers and floating migrants is inversely proportional, since together they account for the entire rural labour force.[9] That is to say, even the wage rate of agricultural producers increased owing to the huge loss of labour migrating to the floating migrant labour market; as a result, the supply of labour in the rural sector is still decreasing. They are both shown in Fig. 7.7 to demonstrate the clear interactions between each other and their mutual impacts.

## Four Stages of Development

### *Phase 1: Non-scaled Labour Mobility*

For the floating migrant labour market, the initial wage provided does not necessarily have to exceed the rate of rural income. Theoretically, as long as it is higher than the rate of migrant living costs, there will be people who would like to supply their labour in the context of optimal family combination as the *homo economicus* assumption. The higher the wage provided, the more labour will be supplied. In other words, if the original agricultural output is guaranteed, labour mobility can take place as long as migrant workers receive positive earnings outside of agriculture as additional income for their entire family. Hence, at this stage, the urban industrial sector gets expended with two features: first with extremely cheap labour; and second with a slow pace. Increasing the migrant wage rate could accelerate the pace of migration.

### *Phase 2: Scaled Labour Mobility Under Stagnated Wage and Increasing Rural Income*

Until the migrant wage rate increases to the point where its net earning rate exceeds the rural income rate, the development process enters the second stage. At this stage, the floating migrant labour supply curve runs parallel with the horizontal axis, demonstrating an infinite/unlimited supply of labour. Based on optimal combinations, migration to the urban sector would be the best option, since the wage offered could even offset the agricultural loss caused by the reduction in agricultural output. For the agricultural producers' labour market, owing to this ongoing migration process, the total size of the rural labour force subsequently demonstrated a decrease. An agricultural surplus is also produced, resulting in the improvement of the livelihood of farmers who left rural areas. Together with rural development, as discussed earlier, rural income is subsequently increased. However, this process ends when rural income equals the migrant wage rate, as development enters another stage.

### *Phase 3: Labour Mobility Gains Position for Wage Bargaining*

This phase corresponds to the phase when the amount of money earned by agricultural producers/farmers in the rural sector is the same as they will earn in the urban sector. Without any higher wage offer, the process of capitalist expansion is definitely hindered by the limited supply of labour; however, it does not deny any ongoing proportional migration process based on the rural–urban propensity to either work or live. But it definitely causes the supply of labour to cease to be unlimited. Thus, differentials between migrant wage and rural income starts to play a role in the migration process; the bigger the differentials, the more people will leave rural areas to the urban sector. And for the agricultural producers' labour market, owing to the comparatively slower pace of the migration process, the number of farmers continued to shrink, but at a slower pace, as the curve presented a steeper slope compared to the previous stage (after Turning Point M). Furthermore, given the existence of wage differentials compared to the urban wage, the capitalists retain the privilege of hiring more floating migrants, considering the labour costs.

### *Phase 4: Labour Mobility Under Institutional Segmentations*

Along with the ongoing process of capitalist expansion of rural–urban migration and rural development, migrant wage together with rural income, sooner or later, will respectively reach the initial wage of the urban sector (see E, F and G and their part in Fig. 7.7). However, the floating migrant labour market will lose its position at this stage, since its existence is based on the differentials between urban wage and rural income. Thus, when rural income equals the initial wage rate of the urban sector, farmers end up being equal with urban labourers, competing for employment in the same labour market. It is this stage, which Lewis and Ranis–Fei argue comes under neoclassical theory, with the wage determination mechanism mainly based on the concept of marginal effect and the dual division of labour disappearing afterwards. However, in this model, it does not necessarily follow such a trend; given the role of institutional barriers, it is still functional and, as a result, makes people in the floating migrant labour market become like a real floating population dissociated in the urban sector.

This model was designed only with conceptual ideas, demonstrating a dynamic process of labour mobilization among the initiated divisions. And the slopes of the curves did not follow the accurate parameters in the presented model. However, each curve indeed demonstrates in the way most closely resembles reality. Last but not least, given the restriction that the model was designed in a planar graph, the timing dimension is missing. This might cause misunderstandings, especially in Phase 4, as

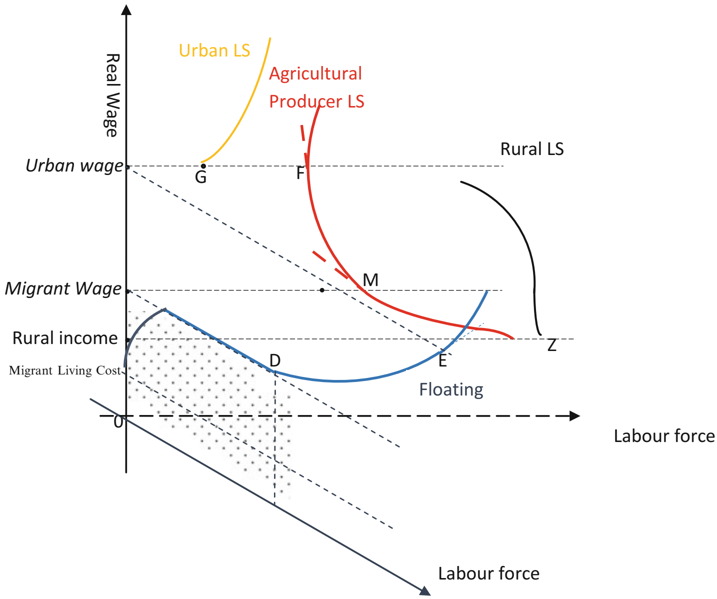


**Fig. 7.8** Tripartite labour supply model in 3D (*Source*: Self-compiled)

the model seems to present a simultaneous process among the three labour markets, that is to say, it looks like three labour markets have reached Phase 4 at the same time, which is not the point that the model was intended to illustrate (see 3D image in Fig. 7.8). It might happen simultaneously, but it does not matter for the proposition of the model and its arguments.

## New Interpretations of Labour Mobility and Labour Surplus

- Point D in Fig. 7.8 is the most important point in this model because it is the Lewis turning point. It is where the rural surplus labour force becomes exhausted or the marginal productivity of labour becomes positive. The sudden increase in wages is mainly attributed to this. However, this fundamental argument of the classical approach is denied by the model since the sudden increase in migrant workers' wages is due to the catching up of rural income which provides possible position of collective bargaining on wage (Li 2017), not the exhaustion of the rural surplus labour force. Regardless of exogenous factors that would favor the increase in rural income, like food prices, grain subsidies, adoption of technology and so on, some endogenous factors, like the absent consumption of migrant workers in rural areas, indeed increase rural income. Therefore, the increase in migrant wages could not prove the real exhaustion of rural surplus labour, which is why the dashed area (Fig. 7.8), labelled 'unlimited supply of labour', continues after Point D.

- According to both classical and neoclassical theories, regarding labour migration with absolutely free mobility, in reference to conditions of so-called unlimited supply of labour, whoever is labelled as 'surplus' would migrate to urban sectors when the migrant wage is higher than the subsistence or institutional wage. However, this is typically not the case with this model, which considers institutional barriers within dual divisions. Furthermore, when discussing international migration under regional disparities, the relevant institutional restrictions would definitely play a larger role, which, since basic assumptions were taken into account in this model, perfectly explains the gradual process of migration even during a period of unlimited supply of labour.
- In earlier theories, the initial wage of the urban sector was assumed to be set at some proportion higher than the subsistence wage as the starting point for capitalist expansion. For example, Lewis initially considered that the gap between capitalist wage and subsistence income should be 30 per cent or more and later adjusted this figure upward to 50 per cent or more. Ranis–Fei updated this assumption, however, only in connection with wage formation in the subsistence sector, called the *institutional wage*. Therefore, all of the models denied a situation where the capitalist wage might start even lower than the subsistence wage, which is exactly what was proven in this model. However, as Phase 1 illustrated in the model, the initial wage offered to migrants is a process of capitalist exploration.
- Ever since the concept of balanced development was introduced, reflecting on the labour market and the labour reallocation process, a regulatory mechanism could be imposed to guide a rational and

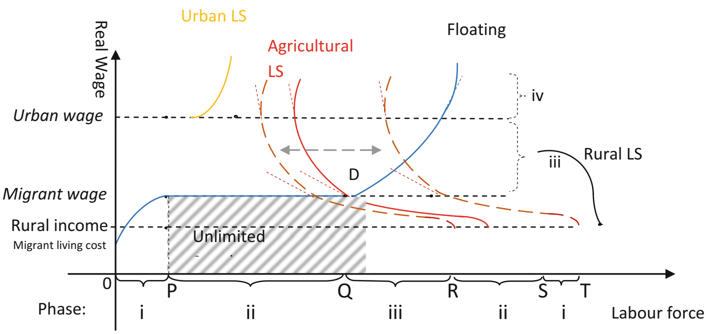


**Fig. 7.9** Tripartite labour supply model with a demonstration of balanced development (*Source*: Self-compiled)

scientific labour reallocation process. As illustrated in Fig. 7.7, let OT present the entire rural labour force, PQ = RS presents the proportion of the labour force transferred during the unlimited period, and QR indicates the potential mobilization of the labour force in Phase 3, which is strongly impacted by the two curves' movements. The movements of both the floating migrant curve and the agricultural producer curve are illustrated in Fig. 7.9, demonstrating a vivid process of the impact of this regulatory mechanism in terms of a balanced development.

## Lewis Turning Point: A Case Study from China

As elaborated in the tripartite labour supply model, a sudden rise in the migrant wage does not necessarily mean the exhaustion of the rural surplus labour force or the start of induced labour shortage, but in practice, the question of what point it is still interests a lot of empirical researchers. Although the model of this research is not established through any sophisticated mathematical function or econometric model that was mainly adopted by the neoclassical school, as any academic theory, it should stand up to empirical testing. The foundation of this model is logically simple, and as long as there is sufficient data like statistics on employment and wages and enough timelines, it will be rather easy to evaluate its reliability. Symptoms of recent changes in the Chinese labour market have aroused widespread concerns in academia. As a country with typical features of a labour surplus economy, China deserves special attention.

There is an ongoing and heated debate on the topic of whether China has already arrived at the Lewis turning point in the context of the continuous wage increase of migrant workers, along with a simultaneous labour shortage throughout China on a large scale; in other words, has the Chinese rural 'surplus' labour force reached the point where there is no longer unlimited supply? Most academic discourse based on neoclassical methodologies, whether in analysing wage changes or in measuring marginal effects, attributes wage growth to a labour shortage and predicts there will be a point where China reaches the Lewis turning point.

However, under the framework of the Tripartite labour supply model of the labour surplus economy, not only does the model affirm its alternative interpretations of the Lewis turning point, but it also brings back the traditional analytical methodology on the wage relationship in the context of class struggle, which had almost been forgotten in the political economic analysis in viewing the case of the Global South. This part of the chapter intends to elaborate on this topic by using China as a case study, combining 35 years of statistical analysis and demonstrating the actual situation of Chinese rural labour mobility.

Over the past three decades, three striking phenomena have dominated most of the public attention in the area of industrial relations in China. These include the labour migration boom, labour migration shortage and labour unrest. Attention has centred on the shift from the strict control over labour mobility to a gradual loosening, along with the rapid industrialization and urbanization, demonstrated by an unprecedented mass transfer in terms of time, space, occupation and industry.

Since the abolition of institutional barriers to labour mobility in the late 1970s, internal labour migration in China has been taking place on an unprecedented scale (Fig. 7.10). According to data from the 2015 National Monitoring Survey Report of Migrant Workers (National Bureau of Statistics [NBS]), there were 277.47 million migrant workers by the end of 2015, roughly equivalent to 1/5 of the national population, 1/4 of the national working age population, and 1/3 of total employment. Furthermore, the 2013 UNDP Report on China National Human

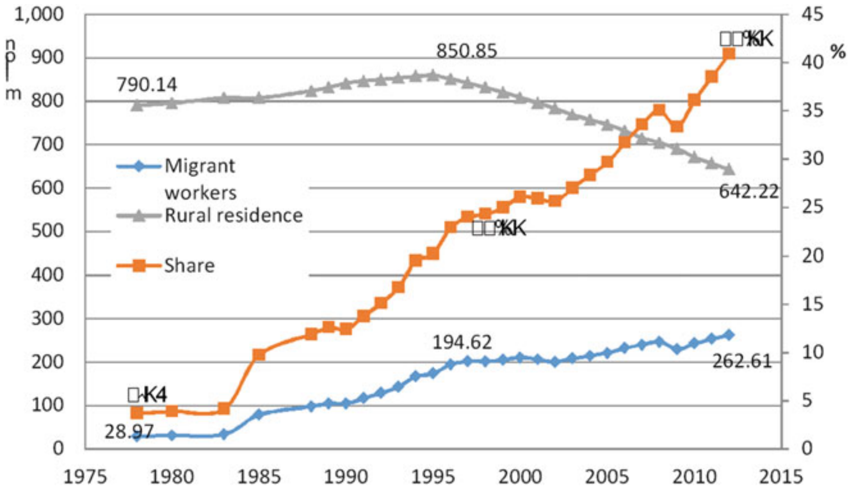


**Fig. 7.10** Migrant workers in China 1978–2012 (*Note:* 1. The data were collected from incomplete statistics because of the limits of statistical discontinuities and methodological inconsistencies. 2. The absolute changes in both the decrease in rural residence and increase in migrant workers do not necessarily need to be equal, given the consideration of statistical methodology with respect to students, military personnel and refluxed migrant workers. *Source:* Various years from the China Statistical Yearbook, China Population Statistics Yearbook, China Population Census, National Monitoring Survey Report of Migrant Workers, statistical data released by the national relevant authorities, and the existing researches and studies, calculated by Yang and Li (2009) in their studies on migrant workers)

Development also estimates that within the next two decades, nearly 310 million people are expected to migrate from rural to urban China (UNDP 2013).

Along with this process, wages of migrant workers have also seen, on average, double-digit growth over the past decade, especially between 2009 and 2013, when the wages of migrant workers increased by 20.4, 18.9, 21.2, 11.8 and 13.9 percent respectively (see Fig. 7.11).

However, when it comes to real wage increases, they only started in the early 2000s (Fig. 7.12), when, by coincidence, there was a simultaneous labour shortage in China. Therefore, it has been argued that the real wage increase of migrant workers was caused by the labour shortage.

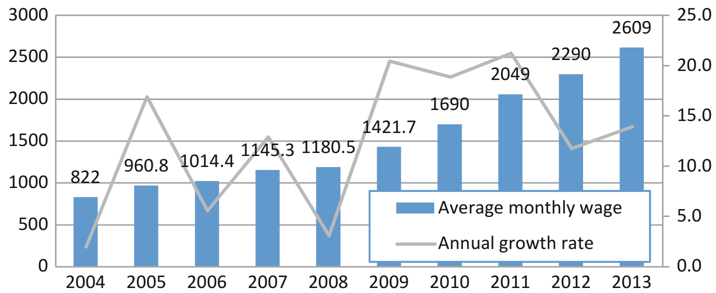


**Fig. 7.11** Average monthly wages (RMB) of migrant workers and its growth rate (%), 2009–2013 (*Source*: Data of 2004 to 2009 are from the study conducted by Lu (2012), combined with four methodologies, and data of 2010 to 2013 are from the National Bureau of Statistics)

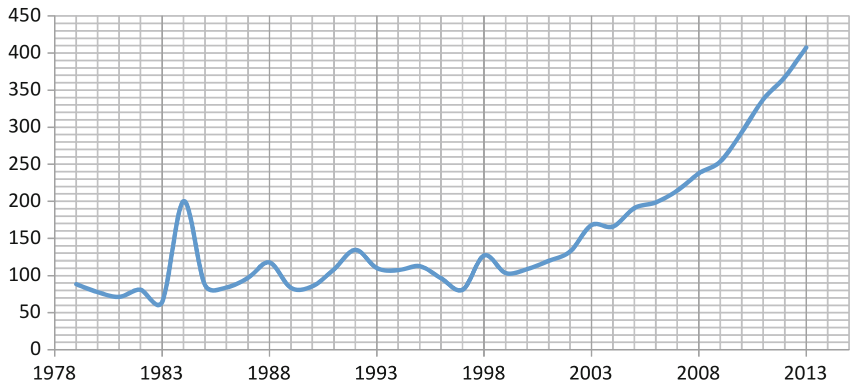


**Fig. 7.12** Monthly real wages (RMB) of migrant workers, 1978–2013 (*Note*: All the relevant data were calculated by the author. *Source*: National Bureau of Statistics, China Labour Statistical Yearbook, Population Census, and Economic Census)

In contrast to the labour migration boom, the labour shortage started to attract public attention. Factories in various industries all over China had been reporting annually that they were facing difficulties in finding a sufficient number of workers (MLSS 2004; BSR 2010). As such, companies set up offices at railway stations, bus stations and on the street, and they even went to villages to try to convince people to work for them. They adopted new forms of employment contracts, provided accommodations, offered bonuses and applied other tactics. Yet, most industrial undertakings failed to maintain and employ sufficient workers (Wharton 2006). The shortage began in 2002, worsened in 2004 and deepened after the financial crisis in 2008, under a broader context of the exhaustion of the demographic dividend and the exacerbation of an aging population; the labour shortage, however, never made the news either inside or outside China (*Business Week*, 27 March 2006; *New York Times*, 3 April 2006; *ProQuest*, 3 January 2008; *Hindustan Times*, 12 May 2007; *Forbes*, 20 December 2011). In brief, it was a shortage, growing year by year and spreading from industrial regions to the agricultural sectors, from skilled to unskilled labourers, coupled with various other industries (*Xinhua News*, 13 Feburary 2011; *Times of Oman*, 7 January 2013; *Xinhua News*, 28 Feburary, 2013).

These scattered observations may not be consistent, but it is self-evident that urban industries had to negotiate with migrant workers on wage to recruit enough workers to guarantee production. The wage increase, therefore, could be 'logically' attributed to the labour shortage. And it has been widely accepted in academia that such a sudden increase can be mainly attributed to the arrival of the Lewis turning point, which argued that for underdeveloped countries the existing surplus labour force in the agricultural sector could facilitate the expansion of the industrial sector without increasing wages for a period of time until the surplus labour force was exhausted—the exhaustion of the surplus labour supply is the turning point located at the point where wages start to increase.

However, as mentioned earlier, investigations of the impact of agricultural development, especially in terms of the income growth of farmers, is seriously absent in their discourse. Furthermore, the traditional dichotomy in labour market division (rural/urban) also tends to neglect the inevitable transitional period resulting in a labour market segment exclusively for migrant workers. Therefore, this chapter does not take for granted that an economic dualism only results in a dualist division of the labour market. As was clearly demonstrated in Fig. 7.10, since the beginning of labour migration in China to the present, the migrant worker labour market has never been the same or fully integrated into the urban labour market. And this segmentation of the labour market requires special attention for analysis based on a triple division of the labour market.

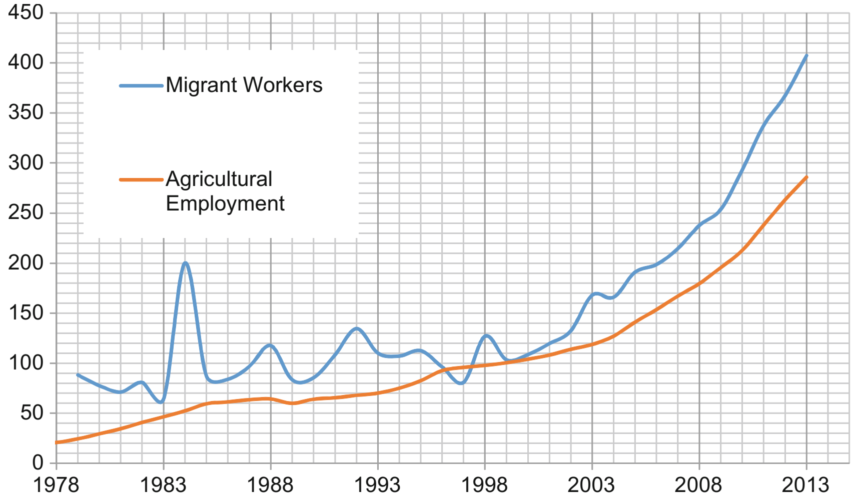


**Fig. 7.13** Monthly real wage (RMB) in comparison between migrant workers and agricultural producers, 1978–2013 (*Note*: All the relevant data were calculated by the author. *Source*: National Bureau of Statistics, China Labour Statistical Yearbook, Population Census, and Economic Census, various years)

The use of trichotomy as highlighted earlier will be adopted to investigate the fundamental rationale of the sudden real wage growth of migrant workers, having outlined the drawbacks of the traditional labour market division. As Fig. 7.12 demonstrated, the real wage of migrant workers started to grow in 2002 approximately after a period of wage stagnation (from the 1980s to the 1990s). Real wage growth of agricultural producers or rural income is missing. Thus, Fig. 7.13 brings a new perspective.

As demonstrated in Fig. 7.13, there is indeed a convergence between monthly real wages of agricultural producers and those of migrant workers. The intersection of both curves took place around 2000, in the context of stagnant real wage growth of migrant workers (from the 1980s to the 1990s), along with a continuous growth of agricultural producers. Such a convergence is rather significant, since it offered a possible explanation for the sudden growth of real wages of migrant workers.

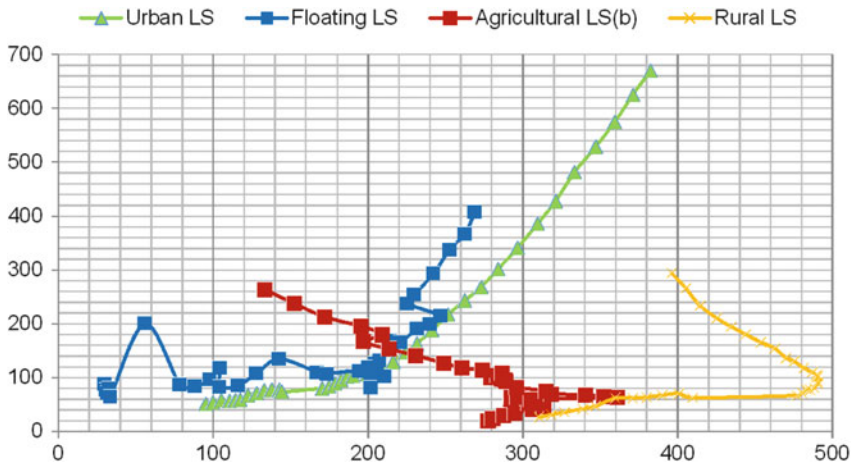


**Fig. 7.14** Tripartite labour supply in China, 1978–2013 (*Note*: All the relevant data were calculated by the author. The rural labour supply curve covers the period from 1957 to 2013. *Source*: National Bureau of Statistics, China Labour Statistical Yearbook, Population Census, and Economic Census)

To incorporate this conjecture into a theoretical analysis, the tripartite labour supply model was constructed. As for the case of China, Fig. 7.14, bearing 35 years of wage analysis based on the triple division of the labour market, represents alternative understandings. Referring to Fig. 7.7, the fundamental rationale is in agreement between theoretical assumptions and the empirical data.

To facilitate a clear elaboration, curves of the rural and urban labour supply will be eliminated from the initial model, as Figs. 7.15 and 7.16 demonstrate. The supply of migrant workers showed infinite elasticity to the alteration of monthly real wage, as marked in Fig. 7.16 by the dashed area with unlimited supply of labour. It starts to present a positive relationship as the curve of agricultural producers reaches the same level on monthly real income. Cross referencing to the labour supply curve of agricultural producers, a steady elastic supply of labour to the monthly real income growth is shown.

Note that in Fig. 7.16, the dashed area does not stop, rather it extends after the curve of migrant workers starts bending. This is crucial since it is where the model offers new interpretations of the Lewis turning point. Thus, the sudden increase in the wage level does not necessarily stem from

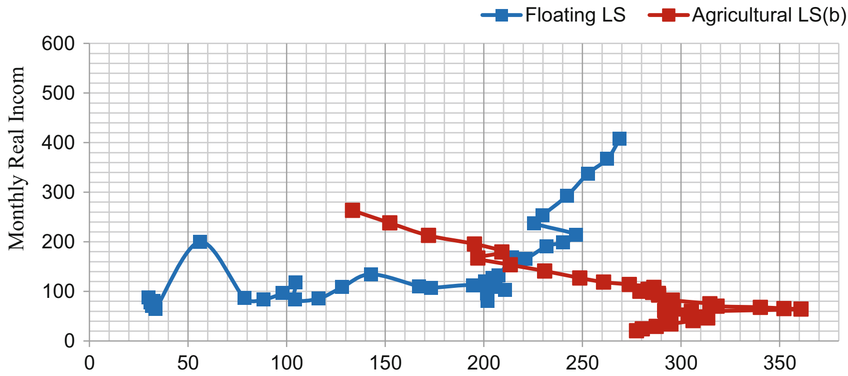


**Fig. 7.15** Wage and employment evolution in China under the tripartite labour supply model, 1978–2013 (*Note*: All the relevant data were calculated by the author. Note that the rural labour supply curve covers the period from 1957 to 2013. *Source*: National Bureau of Statistics, China Labour Statistical Yearbook, Population Census, and Economic Census)

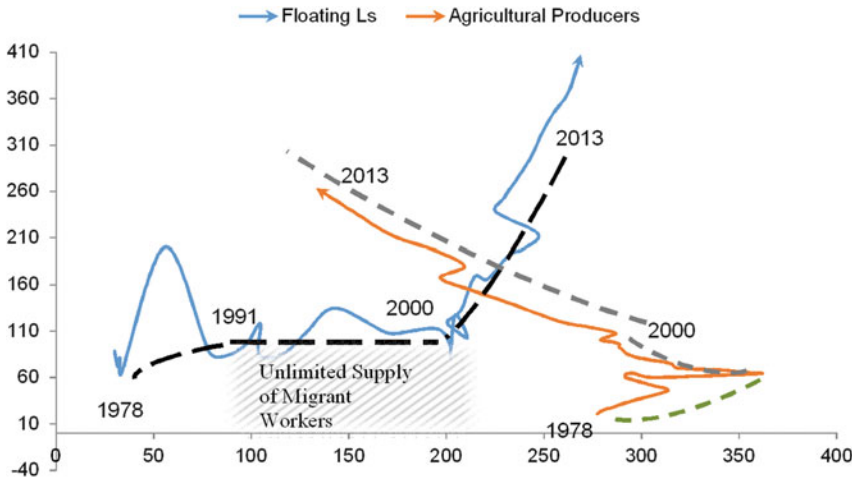


**Fig. 7.16** Model verification, 1978–2013

the exhaustion of the unlimited supply of surplus labour or the arrival of a labour shortage. Instead it is because the income of agricultural producers (or rural labourers) reached the same level as that of migrant workers, which fundamentally provided the conditions for migrant workers to collectively negotiate with their employers from a favourable bargaining position. As such, it could also explain why the collective labour action in the meantime also starts to prevail among migrant workers.

In addition, along with the sudden real wage increase of migrant workers, massive collective labour disputes led by migrant workers also took place (Li 2017). One could also state this conversely: Along with the parallel development of the migration boom and labour shortage, each collective labour dispute was accompanied by an increasing awareness of workers' rights. Thus, a wage increase can also be attributed to massive strikes and collective actions of migrant workers, in the context of an increasing class consciousness formed among migrant workers apart from the conventional urban labour market (Li 2017). Such a situation also triggered a huge theoretical analysis of the causes of the sudden emergence of migrant workers' collective resistance. However, both the emergence of a labour shortage and labour unrest in a certain phase of the labour surplus economy can only be considered as surface phenomena. The essential reasoning, according to the fundamental rationale of the tripartite labour supply model, lies in the real income of agricultural producers, which reached the same level as that of migrant workers, and the new conditions of the labour market that created possibilities for migrant workers to acquire a relatively stronger bargaining position, especially in collective form, to negotiate with urban industries.

## Conclusion: A New Discourse on Rural Labour Mobility

Throughout the history of economic development, the initial process of industrialization is accompanied by a large amount of labour mobility. The evolution and development of the theory of economic dualism, as presented by the selected and constructed models, lie in a transitional process of capitalist expansion with labour mobility. From most of development economics' theoretical analysis, economic development has often witnessed labour migrations from rural to urban setting, from agriculture to industry and service, and from traditional sectors to modern sectors. It is a developmental process that has been thoroughly analysed within a framework of economic dualism. Thus, economic development is largely viewed in the transformation from the dualistic model to a singular model.

By focusing on rural labour mobility in the labour surplus economy, a vertical perspective from the classical to the neoclassical and to the heterodox discourses has been analyzed. Apart from the aforementioned theories, most of the neoclassical critiques on Lewis' economic dualism and his seminal model failed and ended up entering the mainstream neoclassical methodologies, denying the fundamental classical assumptions on the existence of the so-called labour surplus. Yet the neoclassical critique might be the case of the Global North with an urbanization rate maintained at an average of 85 per cent. However, for those countries where more than half the population still lives in rural areas (like China) in the Global South, the classical analysis might provide valuable references, as elaborated in the case study.

Experience from China's recent economic development, from a certain point of view, largely followed up Lewis' economic dualism with an unlimited supply of labour. The case study as presented revealed a very theoretical rationale especially between the classical and neoclassical debates. It somehow affirms the classical assumption by its real data analysis, as there was indeed a period of stagnant real wage growth for migrant workers and unprecedented rural labour mobility and a rapid expansion of urban industrialization. In the meantime, by adopting the tripartite labour supply model, not only does its result deny the conclusion of the Lewis turning point, it also affirms the rationale of the new theoretical approach and confirms its reliability.

In turn, theories of rural labour mobility in different physical world should be differentiated, even though some of the neoclassical rationale seems valid. However, from the development economic point of view, the classical analysis bears a certain level of actuality at the south, given the initial stage of economic development. Moreover, the concept of labour surplus in literatures of development economics is mostly targeting the underdeveloped and overpopulated economies. Thus, Labour Surplus Economy is placed to facilitate such a debate. However, it has been developed rather a notion (mainly Ranis 2004) instead of a comprehensive theory. Therefore, this chapter and its theoretical analysis could bring a new perspective within the development of labour surplus economy.

The tripartite labour supply model, replaced the traditional division of labour market by a trichotomy, as a new approach under the framework of the labour surplus economy, based on an economic dualist analysis, indeed brings an alternative perspective compared to the dominant ideology of rural labour mobility: Although Ranis and Fei, as well as Jorgenson, focused on rural development through different concerns with the influence on rural labour mobility, none of them devoted special attention to the fact that the growing income of agricultural producers could in turn suppress their tendency towards mobility; Following the logic behind Harris and Todaro, as the expected urban income is lowered, the desired migration of the rural labour force is reduced, but their starting point remained the determined minimum wage of the urban labour market, not the other way around. In the new approach, the decision of labourers to migrate is based not only on individual reasons but also on family economic concerns. As such, within the labour surplus economy, the wage determination of migrant workers also makes the migration decision very connected not only to individuals but also to the general utility of the entire family.

Thus, in the new discourse, improvements in agricultural producers' income indeed have impacted rural labour mobility. They brought a new interpretation to the so-called Lewis turning point, highlighting the essential reasoning behind the sudden wage growth of migrant workers. Accordingly, the sudden increase of the wage level does not necessarily stem from the exhaustion of the unlimited supply of the rural surplus labour force or the emergence of a labour shortage. Instead it is because the income of agricultural producers (or rural labourers) reached the same level as that of migrant workers, which fundamentally provided the conditions for migrant workers to collectively negotiate with urban industry at a favourable bargaining position. At this point, it can also explain the reasons why the income growth of migrant workers was also accompanied by an upswing in labour unrest in the case study.

Furthermore, the model, based on triple divisions of labour market, recognizes the segmentation of the labour market by highlighting its continued existence during the process of labour mobility. Only by doing so can it bring a new explanation to the sudden wage growth of migrant workers from a wage analysis of rural income. In addition, it has been much neglected and taken for granted that the labour market of migrant workers was immediately and fully integrated with the urban labour market, regardless of the role of any institutional intervention, like public policies. However, as for the process of labour mobility, both classical and neoclassical rationales mainly follow the so-called invisible hand market mechanism, leaving the 'visible hand' of non-market mechanisms less touched, assuming labour with absolute mobility. By fully recognizing the role played by different institutions, the new discourse stands in a position that recognizes its further potential.

Thus, balanced economic development was discussed within a framework of a tripartite labour supply model, like balanced relationships among agriculture, industry and services, especially in terms of employment distribution. Hence, for developing economies, this does not necessarily mean that the more rural surplus labour is transferred, the better it is for both people and the economy. A balanced economic development is determined by various factors, such as the level of industrial development, technological innovations, social welfare systems and so on. Only considering the supply side of the labour market, its development inevitably cause a disturbance, resulting in, for example, high urban unemployment, the slummification of cities, a race to the bottom, and a lack of labour protections. Therefore, keeping a balanced development relationship between agricultural and non-agricultural activities becomes very significant.

Finally, this chapter brought a new perspective to the theory of labour surplus economy and in doing so explored a specific class—floating migrants. By unpacking the wage relationship, one can observe the emergence of class consciousness that results in a struggle that in turn affected wage determination. This was not recorded by major political economists and, therefore, is a research area that should be explored. The observed connection between wage analysis and class struggle can be part of the theoretical framework for class analysis during the urbanization process currently in the Global South. In the context of neoliberalism and globalism, some Southern economies are exposed to a so-called catching-up process of development. There is a prevailing ideology: To compete for the 'exotic' capital investments, the rights of 'domestic' labour are compromised. When the South is in the Lewis analytical discourse of 'unlimited supply of labour', there are no solid conditions for class consciousness. Labourers in rural areas are competitors because they are in the same segment (rural labour market) and are trying to enter another segment (migrant labour market). At this stage, labour policies do not focus on labour rights exploitation to facilitate the takeoff phase of industrial development. This will continue until the wages of agricultural producers equal the wages of migrant workers, demonstrated in the tripartite labour supply model towards the end of competition among migrant workers as a start of class formation. Further research should be conducted on class analysis to see how the class is formed and examine what relation this has to increased wages.

## Notes

1. According to Lewis estimates, there is usually a gap of 30–50 percent plus between capitalist wages and subsistence earnings.
2. The Lewis turning point, named after economist W. Arthur Lewis, is a term used in economic development to describe a point at which a surplus rural labour force is no longer an unlimited feature, and thus induces the rising wage of migrant workers in industry.
3. In Lewis theory, based on the trade relationship and the openness of the economy, the economic development is divided into three models. Model I is a typical closed economy, mainly used by Lewis; Model II also maintained closed economy, however the capitalist sector depends on the trade with the non-capitalist sector, e.g., for food or raw materials, but there is no international trade, mainly used by Ranis-Fei, and Jorgenson; and Model III, which is under the open economy, including the international trade.
4. Given the assumption that all agricultural output was consumed by agricultural labour force, the institutional wage rate equals to the total output (MN) divided by the total labour force (OM), which equals to the slope of ON line (as is reflected at point K on the TPP curve where the dotted tangential line at K is parallel to ON line).

5. The rate of growth of the agricultural labour force, according to Jorgenson, is equal to the difference between the rate of growth of total population and the rate of technological progress in agriculture divided by the share of labour in agriculture.
6. However, this process is based on another assumption that the rate of total agriculture output equals to the rate of population growth, that is to say, if there is no agricultural surplus, all labour remains on the land; if an agricultural surplus can be generated, a labour force available for employment in manufacturing grows at a rate which is equal to the rate of growth of the agricultural surplus.
7. The depicted process is more or less the same as what Harris and Todaro assumed, however it is different because of attitudes towards these migrants either as a separation from urban workers or considering as urban workers. That is why the semi-urban worker is used with such a purpose.
8. In the theoretical point of view, it is indeed for everyone who under this circumstance has the feature of transferability, however, as for real migration, there are other factors impacting the final decision.
9. Since the net population growth in the long run is considered stable as mainly impacted by both natural fertility rate and mortality rate, which is not following Malthusian theory on population, stable proportion of the rural labour force as a whole is guaranteed.

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# 8

# Urbanization, Land Alienation and Proletarianization: A Study of Rajbansis in North Bengal

Hemantika Basu

## Introduction

One of the most visible processes of primitive accumulation is that of land alienation—separating the agricultural producer from his means of production (Marx 1867). The process of land alienation is associated with the expansion of global capitalism supported by a retreating welfare state, requiring lands to shift from subsistent use to use for surplus generation. This process entails expropriation of the previous owners and original inhabitants of the land, which Harvey (2003) calls accumulation via dispossession. Land alienation and the process of dispossession are linked to rural–urban transformations and urbanization—from a self-sustaining rural economy which rests on production to a surplus-generating industrial and service economy based on consumerism. In this process of land alienation and transformations, labour undergoes a transformation, as reflected in changes of the labour process—where labour power goes

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from being under the control of producers to being under the control of local and even global capitalism and where labour goes from being permanent and subsistent to temporary and subservient. In terms of the nature of employment, it is transformed from informal self-employment to informal wage employment that is transitory in nature (Dey et al. 2013). In developing regions of the world, where industrial development is still at the nascent stage, rural–urban transformations and land alienation involve occupational shifts from agricultural and land-based livelihoods to industry or service-oriented jobs in formal as well as informal sectors. The shift is more sudden, unabated and ruthless in favour of informal and transient services in the construction sector, petty commodity trading and other informal means of livelihood. This process of land alienation and labour transformations veritably leads to the marginalization and proletarianization of original inhabitants or indigenous people who are traditionally agriculturalists dependent on land for their identity and livelihood.

In this chapter, an attempt is made to critically examine land alienation and proletarianization in the process of urbanization in Siliguri, a city in eastern India. In the context of this fast urbanizing city of Bengal, urban expansion and development has accompanied land use and ownership transformations, as a result of which rural hinterland areas are continuously being transformed into urban peripheries. Among the towns and semi-urban centres in the districts of northern Bengal, Siliguri is experiencing rapid urban growth due to its strategic location and opportunities for trade and commerce. This process of urbanization involves spatial transformations with the development of the land market owing to the immigration of all classes of people. Drawing on ecological theory of city evolution and urbanization, McKensi (1924) and Park (1952) have illustrated how in developed nations, a city's urban spaces undergo gradual changes along with urbanization. However, urbanization in developing nations involves sudden and unabated spatial transformations. This involves land acquisitions by government either directly for development projects or indirectly by private corporate builders and agents for private development (Roy 2015).

In the eastern part of India, and especially in the state of West Bengal, Rajbansis form one of the dominant indigenous caste groups overwhelmingly concentrated in the northern districts of the state, including Darjeeling, Jalpaiguri, Dinajpur, Coochbehar and Malda. The total number of Rajbansis is 3,801,677 (Census 2011) constituting 17 per cent of the total population of the scheduled castes (SCs) in the state. Rajbansis are the most dominant among the SCs in five of the districts in West Bengal (Table 8.2). The other dominant SCs in the state of West Bengal are the Namasudra, Bagdi, Pod, Bauri and Chamar (Census 2001). In other districts, Rajbansis are intermittently spread out. In the process of urbanization in Siliguri and adjoining areas, the Rajbansis, the original occupants of the land, are being alienated from their ancestral lands and, left with no alternative livelihood, they are taking up casual wage employment in the informal economy in the urban areas. The process of alienation is either through consent or by coercion in the name of urban development under various political and economic compulsions. Land loss accompanies impoverishment, shifts in livelihood, and gradual or sudden occupational transformations among peoples who, historically, have depended on land and land-based livelihoods. This chapter attempts to explore the current process of proletarianization as a result of land alienation among the Rajbansis during the process of urban development in Siliguri.

The process of land alienation among the indigenous community in Siliguri, starting in the post-independence phase and continuing to the present, is historically embedded. Currently, the pattern of city expansion and development is based not on any industry-led development strategy. The pattern is skewed towards encouraging consumerism reflected in real estate, finance, banking, construction and retail sectors, which creates employment in services. To set up these projects, land is made available via persuasion and even coercion, resulting in land alienation. It would be interesting to construct a narrative of the different historical processes of land loss and occupational transformation of the Rajbansis. The community's land loss and their occupational changes will be looked at from three different phases—pre-independence, 1947–2000 and post 2000. It will be seen that, while pre- and post-independence decades were followed by rampant eviction and ousting, in recent times, fast paced urbanization accompanied by a rise in land value and real estate development in Siliguri is resulting in land alienation. As a result, the indigenous landholders are being moved from central areas to further inwards and then to the rural periphery. The modalities of land transfer take place via various channels—land mafia, builders and developers across Siliguri. As a result of being alienated from the land, Rajbansis are taking up low-paying jobs in the urban informal economy.

## Data Sources

A qualitative approach was used in this study. The reason for using a qualitative approach is that data sources are scant. Both primary and secondary data were collected. For primary data, government offices were visited, but data on landholdings among Rajbansi communities were not available. Therefore, deviant cases and narratives were drawn from in-depth interviews with various stakeholders, including five key resource persons from the Land and Land Reforms (L&LR) Department (Siliguri sub-divisional office, Government of West Bengal), Village Panchayat Pradhan of Dabgram GP-II, and the local Panchayat office of a neighbourhood under Dabgram GP-II, as well as fifteen households from eastern (eastern fringes) and south-western[1] parts of Siliguri city. One focus group discussion among women participants and another group interview with men and women participants together were held in two small neighbourhoods bordering the eastern metropolitan bypass which emerged about ten to fifteen years ago. Among the officials, a retired head clerk who had forty years of experience working in L&LR, the Government of West Bengal, the Sub-Divisional Land and Land Reforms Officer (SDLLRO) and a land surveyor currently working in the department of L&LR were interviewed. The Panchayat Pradhan of Dabgram GP-II and the person in charge of the local Panchayat office was interviewed. The recall method was applied, and men and women in the forty- to seventy-five-year-old age bracket were interviewed to understand their experiences of land alienation and ensuing struggles over livelihood. Most of the participants spoke the Kamatapuri dialect amongst their own people but translated their words into Bengali for the researcher to understand and record. The participants were selected on a snowball basis. The ex-head clerk of the L&LR Department helped to identify the areas which presently contained a number of Rajbansi households. A number of people belonging to different occupations, namely, the owner of a soil testing firm who employed a number of Rajbansi labourers, an ornament wholesaler living in the southern part of the city, a land middleman, a resident of Hyderpara-Palpara (whose father had bought the land from a Rajbansi during the 1970s), a building contractor engaged with the construction industry in Siliguri and so forth, were deliberately consulted who could help identify the households. Newspapers carrying reports of land acquisitions helped to identify the areas in south-western and eastern Siliguri (neighbourhoods across the Eastern Metropolitan Bypass). The Rajbansi households who earlier held lands in Siliguri town and areas of the Siliguri Municipal Corporation (SMC) and now relocated in urban peripheries were purposively interviewed.

The secondary data sources consisted of census data of the government of India, secondary literature, Revisional Settlement (RS) records and maps on land ownership and settlement. The department is in the process of a fresh survey of land settlements under the Land Reform Act (1955) and areas in the Siliguri subdivision. The Cadestral Maps and Revisional Settlement Maps (prepared during 1952–7) gave ideas on plotting and land utilization patterns and the spread of houses, agricultural lands, forest areas or fallow land. Documents related to landholdings, such as few *khotians*[2] and *khasra*,[3] were seen. In the last three decades, no survey on landholdings was reported to have been undertaken, and the landholding patterns among different communities were identified from their surnames in khasras. For instance, central Siliguri (Sevoke road, Gurudwara) contained some titles that can be identified as Rajbansis (Ray, Barman, Sing and so forth) and tribals, whereas another area in the central civil lines identified as refugee-rehabilitation lands contained titles of eastern Bengalis.[4] However, the RS maps show a predominance of Rajbansis along the south-western parts of the city. Interviews conducted with land surveyors at the Office of Land and Land Reforms revealed that Rajbansis are concentrated in Mallaguri mouza, Matigara in the north and Shantinagar (in the Jalpaiguri District, south-eastern parts of city). Although the Dabgram and Subhaspally areas (eastern, north-eastern and south-eastern parts) contained Rajbansi populations, the last few decades have seen reductions in their populations in these areas.

This chapter is organized as follows. We begin by highlighting the historical evolution and preponderance of the Rajbansi community in Siliguri, comparing and contrasting the picture with the whole of Bengal as available from the recent census reports. The next section traces the timeline of land loss in this community, and the third deals with the livelihood changes associated with this land loss. The fourth section highlights the process of transformations of rural hinterlands into urban peripheries also in connection with livelihood changes of migrant Rajbansis from the rural parts of north Bengal to Siliguri. The last section summarizes and reflects upon the findings and poses further questions for continuing research on the topic.

## Historical Evolution of Rajbansis in Siliguri

The process of Siliguri's development started with the advent of British rule in north Bengal, which promoted tea gardens on the hills and Dooars region of north Bengal. In the Terai or foothills, the Rajbansis formed a dominant population that owned most of the land. The city of Siliguri spans across the present geographical boundaries of the two northern districts of West Bengal—Darjeeling and Jalpaiguri. Historically, people's movement in the city and adjoining areas have been interconnected and interrelated across the Darjeeling and Jalpaiguri Districts as well as the Goalpara District of Assam. Siliguri, earlier known as Silacguri, was the capital of Baikunthpur Estate in 1524, ruled by the Koch-Mech tribal kings (who took the name of Rajbansis); the capital was subsequently moved to present-day Jalpaiguri (Sanyal 1965). This Baikunthpur tract along the Eastern Metropolitan (EM) Bypass presently falls in the Jalpaiguri District under Dabgram GP-II.

### Rajbansis

The Darjeeling District, including the Baikunthapur tract, was inhabited by people of various nationalities (Europeans, Eurasians, Asiatic-Nepal, Bhutan, and Burma), castes, tribes and religions (Hunter 1876: 44).

Among the dominant tribal groups were various aboriginal tribes and semi-Hinduized aborigines. The aboriginal tribes practising nomadic lifestyles were the Mechs and Dhimals; however, semi-Hinduized aboriginal Rajbansis (Hunter 1876) formed a dominant part of the settled population. The genesis of the Rajbansis can be traced to the writings of Boileau (1892), who highlighted that the Rajbansis are the descendant *prajas* (subjects) of Jalpaiguri and Coochbehar kingdoms (Sanyal 1965). Thompson (1921) records them as indigenous people of north Bengal (ibid.).

## Spread of Rajbansis

Studying the spread and dominance of Rajbansis across the town of Siliguri, their preponderance in the Darjeeling and Jalpaiguri Districts needs to be assessed because Siliguri city's expansion (Siliguri Municipal Corporation) covers both the districts. In Darjeeling Terai, which also includes Siliguri town and all other rural and semi-urban and urban centres of the Siliguri subdivision, the number of Rajbansis, the most numerous among semi-Hinduized aborigines, as recorded in the Census of 1871–2 (Hunter 1876), reached 23,124 (Table 8.1). Later, however, their numbers declined to 15,894, forming 3 per cent of the total population and 5 per cent of the Hindu population. Vital statistics of 1956 and 1957 (Sanyal 1965) on some areas under Rajgunj P.S. showed that here (Dabgram, Fulbari, Sukhani, Binnaguri and Sanyasikata) the Rajbansis were the dominant residents (the

**Table 8.1** Population of Rajbansis, early census report

| Census | Darjeeling | Jalpaiguri |
|---|---|---|
| 1872 | 23,124 | 137,135 |
| 1881 | 30,381 | 208,322 |
| 1891 | 33,472 | 297,852 |
| 1901 | 29,006 | 321,023 |
| 1911 | 28,944 | 315,257 |
| 1921 | 23,191 | 320,545 |
| 1931 | 26,969 | 331,168 |
| 1941 | 29,852 | 281,045 |
| 1951 | 15,894 | 172,710 |

*Source*: Adopted from Sanyal (1965), comparative tables of census figures area under Rajgunj P.S. borders the present towns of Siliguri and Jalpaiguri). In Jalpaiguri District, as a whole (covering the Dooars region), the Rajbansis' numbers were much greater, 137,135 (Hunter 1876). In 1951 census figures (Sanyal 1965), those numbers increased to 172,710, forming 12 per cent of the total and 25 per cent of the Hindu population.

**Spread of Rajbansis in Bengal (2000–10)**
It is important to analyse the spread of the Rajbansis in recent census figures across not only northern but also other districts of Bengal. Among religious groups, Rajbansi Hindus are most numerous (Census 2011). The number of Rajbansis are highest in the districts of Coochbehar (78 per cent), Jalpaiguri (64 per cent) and Uttar Dinajpur (59 per cent). In the Darjeeling District, the percentage of Rajbansis is 50 per cent of the total SC population (Table 8.2). It is important to note that there are a few urban centres in the northern part of Bengal, among which Siliguri is emerging as a rapidly urbanizing city.

## Land Tenure Arrangement of Rajbansis

As far as the land tenure arrangement is concerned, the British promulgated two separate such arrangements in Terai for cultivators and tea

**Table 8.2** Percentage of Rajbansi population to total SC population in different districts of Bengal (2011)

| Districts | Total SC population | Rajbansi population | Percentage of Rajbansi to total SC population |
|---|---|---|---|
| Darjeeling | 258,881 | 129,904 | 50.6 |
| Jalpaiguri | 1,248,577 | 811,567 | 65 |
| Dinajpur | 676,582 | 405,140 | 60 |
| South Dinajpur | 432,660 | 224,988 | 52 |
| Coochbehar | 1,242,374 | 972,803 | 78 |
| Maldah | 554,165 | 144,158 | 26 |
| Murshidabad | 703,786 | 86,649 | 12 |
| Medinipur | 1,576,337 | 132,511 | 8.4 |
| Haora | 658,707 | 62,782 | 9.5 |

*Source*: GOI, special table on SCs, Census 2011 planters. In the area under the Khas Mahal administration, the British government gave out leases of land to *jotdars*, or cultivators. The tea planters held grants of land for tea cultivation (O'Malley 1907). The self-sustaining *jotdari–adhiari*[5] system in Darjeeling Terai preceded the coming of the British (Mukherji 1987). Most of the jotdars in the Terai area were Rajbansis (Dash 1947).

The economic relationship between jotdars and adhiars was of a patrimonial–feudal nature. The original jotdars, being mostly Rajbansis, would settle on forest or fallow land (Mukherji 1987). These Rajbansi jotdars possessed both working capital and fixed capital (instruments of production), and their fellow caste men or kinsmen were adhiars. A jotdar's family, together with adhiars, would clear forests and practise settled cultivation. The *jot* was named after the original settler (ibid.). Although the jotdar implied a landlord in the British system of land revenue, the meaning of jotdar in at least the Siliguri and Tarai belt was heterogeneous. The amount of landholdings of these jotdars varied from 2 to 1192 acres, implying moderate to very well-to-do to absentee jotdars (ibid.). This is notwithstanding the fact that there was no absentee landlordism in this area (Dash 1947). The jotdari–adhiari system did not lead to the evolution of a class of agricultural labourers and was less exploitative (Mukherji 1987). Although the adhiars seemed like attached labourers or attached sharecroppers, in the Darjeeling Terai, incidences of perpetual indebtedness of farm labourers did not reach heights of bondage and slavery. Adhiars were assured of subsistence along with insurance against crop failure. Hence, a relationship of mutual dependence existed between the jotdars and adhiars (ibid.).

### Process of Land Alienation Among Rajbansis

The process of land alienation among Rajbansi jotdars, which started in the early years of the twentieth century, can be mainly attributed to changes in the traditional land ownership structure (Hazarika 2008). The demographic and political environment prevalent in Siliguri was responsible for the change in landholding structures. Jana (2008), drawing on studies undertaken by Mukhopadhyay (1987), noted that the demographic composition of the region underwent significant changes following independence. Post independence, the Congress government came to power in West Bengal. To address the problems of refugee rehabilitation, the government resorted to adoption of West Bengal Estate Acquisition (WBEA) Act (1953), which prescribed the abolition of intermediaries against payment of compensation, a ceiling of Khas landholding above twenty-five acres (seventy-five bighas) (Government of West Bengal 1972) . The LR Act of 1955 further prescribed the abolition of intermediary rights, security of tenancy and a ceiling on all agricultural holdings above twenty-five acres (Government of West Bengal 1975). The passage of these acts was preceded and followed by peasant protests aimed at bringing radical changes in land ownership patterns. Let us examine how the state played a role in land alienation among Rajbansis.

## The State's Role in Rajbansi Land Alienation

The WBEA Act (1953) and LR Act (1955) intended to transform the landowning pattern towards the establishment of a more egalitarian society in West Bengal. Passage of these acts had severe economic impacts on indigenous landholders. The mentioned acts substantially reduced the power of landlords (Sengupta 1981). There was political compulsion associated with the passing of such acts (ibid.). Post-partition, East Pakistan was declared an Islamic state, which represented a threat for the Hindu population. The rapid influx of Hindu middle-class refugees to India during the decades of the 1940s and 1950s led to increasing pressure on land in India. With passage of the WBEA Act, lands in excess of the ceiling would be acquired by the government and reserved for rehabilitating the refugee population. Even the compensation granted against the ceiling was small and scant, ranging from Rs. 80 to 100 per bigha. It seemed that the state was aware of the fact that the new refugee population served as a potential vote bank if secured with access to land for housing and livelihood purposes.

Interviews revealed that the largest damage was done as a result of land being acquired by the state. The acquired lands were given to the Refuge, Relief and Rehabilitation Department (Government of West Bengal) with the responsibility of first assessing the potential beneficiaries of the vest lands and then distributing land among them. The department would then assign *pattas*[6] over these lands. Notably, the RS (1954–7) records revealed that most of the lands in central civil line areas (areas adjoining the Siliguri town station) belonged to people having surnames like Chatterjee, Banerjee, Bhattacharya, Bose, Ghosh and other Eastern Bengali surnames. However, such egalitarian moves on the part of the state resulted in Rajbansis losing major parcels of their land. Land being their only capital asset, source of income and mode of exchange, many among them were suddenly faced with huge financial losses. Land distribution was comparatively more widespread in the northern districts of West Bengal (Sengupta 1981). Thus, land reform programmes (1955) played a significant role in land acquisition, distribution and alienation of indigenous occupants of land in the region (ibid.). One particular case can be highlighted here. Charan Sing Adhikari is seventy-five years old and lives with his family in Ektiasal. Charan's grandfather had thirty-six bighas of land in Hyderpara. His grandfather donated one bigha[7] of land to a school in the area. Later, thirty-six decimals of land was given again. But the state-run school claimed another seventeen decimals[8] of land for a playground on school premises. No compensation was given for it. According to Charan, most of the lands were taken away as vest lands. As Charan's family employed adhiars to cultivate their lands, after the land reforms, adhiars got half the land and produce. The case illustrates a case of state acquiring land for social purposes (education) in addition to a land ceiling.

## Peasant Protest Movements and Land Loss Among the Rajbansis

The Tebhaga[9] movement began in 1945 demanding a two-thirds instead of a one-third share of produce for the sharecropper or adhiar since they were the actual tillers of the soil. As far as the participation of Rajbansi men and women in the movement was concerned, important facts related to the social composition of the jotdars and adhiars were highlighted by Bhowmik (1986, 1992). In his study on the ethnicity and class consciousness of indigenous peoples in the Dooars, he pointed out that, although there was a considerable number of Rajbansi adhiars in the region, their participation in the movement was not very active. There was also found to be a number of Rajbansi jotdars, and most of the adhiars were his kinsmen, and there existed little social distance among the jotdars and adhiars (Bhowmik 1992). Participation of Rajbansi adhiars was more pronounced in Dinajpur and Rangpur districts (Bhowmik 1986). However, with time, Rajbansi adhiars joined other adhiars under the leadership of the Communist Party of India (Marxist) to revolt against the Rajbansis and other jotdars of the region. The facts can be extended to explain the condition of Rajbansi jotdars and adhiars in the Siliguri subdivision area as most of the jotdars in the area were Rajbansis (Dash 1947).

The Tebhaga movement guided further peasant protests culminating in land alienation. Siliguri and the adjoining areas were a hotbed of major peasant outbursts under communist leaders Charu Majumdar and Kanu Sanyal, who led the movement to secure peasant rights in the traditional jotdari–adhiari system (Mukherji 1987). The two leaders had led peasant movements against evictions of adhiars and hoarding of food grains by jotdars following the bad harvest in 1967 and the Chinese attack on India. However, following the split of the unified Communist Party in 1964 into CPI and CPI(M) based on their pro-Soviet and pro-Chinese ideologies, an internal rift arose within the CPI(M). One section of the leadership was keen to follow the moderate path to bring about change in the political system, while another section called itself the CPI-ML (Marxist–Leninst) aimed at making more radical moves to bring about revolutionary changes in the politico-administrative arrangement and reforming the rural economy by ameliorating the conditions of the actual tillers of the land. The political climate was favourable for this movement in West Bengal. The Congress rule was coming to an end. However, under the Congress rule two major acts (WBEA Act of 1953 and Land Reform Act of 1955) helped to address the rights of adhiars. The jotdars protested and tried to evade and circumvent these laws, hoarding up food grains and resisting land ceiling by registering *benami* lands (lands with false names).

Charu Majumdar and Kanu Sanyal led the movement against the economic power of jotdars in Siliguri and the Siliguri subdivision, mainly against hoarding of food grains, and confiscated the land of the jotdars. In the meantime, the left government (CPI-M) came to power in West Bengal. That inspired confidence in the peasant leaders to intensify their movement against the jotdars. Cadres of the party under their leadership attacked jotdar families and burnt their documents, ousting them from their lands. Senior participants (three persons) recorded the eviction events when the left government came to power in 1978. While two participants said there were CPI-ML cadres, one said they were accompanied by eastern Bengalis (having surnames of Pal and Saha). In this context, one case may be highlighted. Dinu Ray's (resident of south Ektiasal, seventy-eight years old) ancestors owned as much as 200 acres of land covering present-day Chayanpara, Palpara, Anchal, Hyderpara and Ektiasal (north-eastern and central Siliguri). Chayanpara was named after Dinu's grandfather Chhabi Ray. He explains in his own words the incident of the sudden ousting: 'One night they [according to Dinu Ray, CPI-ML cadres] suddenly came, a large group of people carrying knives, daggers and bamboos uprooted from our own lands. They told us to hand over to them our khotians and other land documents and threatened to kill us if we did not oblige. My younger brother and sister-in-law were bleeding profusely from injuries to their heads. My sister tried to escape secretly carrying all documents, but she was caught, the documents snatched and burnt in front of our eyes. We were told to vacate the place immediately. We fled fearing for our lives but later came back to recover what had been left behind. These people acquired our land, settled their own people or even sold it off to eastern Bengalis. We saw our lands being acquired and others settling on it, but we could not protest. We had nowhere to lodge complaints.' Sabita Ray, age seventy and living in Fokdibari along the EM bypass, recalls, 'During the Congress rule, frequent political scuffles between the left and the Congress party would break out, we would temporarily leave our homes and run to safety. We would return when there was peace.' Sabita's family owned fifteen bighas of cultivable land, including a homestead in Ashighar. She recalls, 'One night when the CPI(ML) [insists] cadres consisting of eastern Bengalis attacked us, we ran for our lives; we could not take anything with us. They occupied our lands overnight and settled their own people.' Sabita bought the present land (thirty-five years ago) where she built a home and resides with her family. Dharan Sing's family lost land for similar reasons. He says, 'A major portion of our lands were acquired by force (*bedhakhali*).'

## Post-independence Refugee Influx and Rajbansi Land Loss

With independence (decades of 1940s and 1950s), the rapid influx of an eastern Bengali population followed all over Bengal. Siliguri was an attractive destination due to availability of economic opportunities in the emerging informal economy. But the refugee influx was also followed by the development of the land market and monetization of the economy in Siliguri (Mukherji 1987). Although the Rajbansis possessed some land, they lacked cash in hand. The economic structure was based on subsistence and barter. Sabita Ray says,

> During Congress rule, we had our own lands, but no cash-in-hand to buy goods in the market. There was poverty. The eastern Bengalis having sold most of their properties in Bangladesh had cash when they came here. They used to come asking for a piece of land, in exchange for cash (maybe Rs. 200); my father or grandfather would sell them as much as 1 bigha of land in exchange for Rs. 200. The rate of exchange was arbitrarily fixed between the parties. Land was abundant, so mostly the lands given would have little opportunity cost (mostly used to remain idle). The cash obtained would be used to buy medicine, clothes or other essentials.

Instances of Rajbansi jotdars settling their market dues by transferring land in the name of the moneylender, or transferring a '*jot*' (settlement) in exchange for service, could be cited here. Reference was made to the people from East Bengal as the lender because they had cash in hand. Ramu Sing, forty years old, a Rajbansi of south Ektiasal, recalls: 'Land would be sold for the slightest of cash requirements. For example, if we could not pay the fees for a teacher for a few years, the accumulated sum would be forgone if we wrote a piece of land in his name. Again, daily market expenses would be incurred using cash supplied by a rich quack doctor. Once the expenses accumulated, they would be paid off by writing a piece of land in that person's name.' These incidents highlight the failure of this community to understand the complexities associated with the rising value of land.

Rajbansis steadily lost land to migrating East Bengalis. People from East Bengal reportedly took advantage of the innocent and docile nature of the Rajbansis. Land was calculated using measure of hand. There are a few instances of where eastern Bengalis on getting land on lease for cultivation (as adhiars) from Rajbansis obtained the khotian of the land by registering the land in their name without informing the owner. Many of the Rajbansi households lost their land for these reasons. Land also passed from the hands of Rajbansis to Marwaris, Kabulis and money-lenders from other castes besides Bengali migrants (Mukhopadhyay 1987). Gradually, the number of non-Rajbansi adhiars was on the rise. Rajbansi jotdars preferred non-Rajbansis because of the possibility of extracting greater surplus compared to the Rajbansi adhiars, who were their own kinsmen, and such demands were not possible (Jana 2008). However, that worked against Rajbansi jotdars, who lost these lands to non-Rajbansi adhiars after the WBEA and LR Acts were enacted.

## Contemporary Scenario: Siliguri's Urban Expansion and Development of the Land Market

The urban growth in Siliguri before independence was driven by political-economic motivations. The colonial administration in its drive to extract maximum surplus from tea plantations in the sub-Himalayan and the Dooars regions developed communication networks via rail and road with Calcutta. After independence, political and economic changes in this region accompanied by the Bangladesh War of Liberation[10] in 1971 and ethnic conflict between Bengal and Assam in 1981 resulted in the migration of all classes. The migrant stream from Assam mostly belonged to business classes. The Sino-Indian conflict of 1962 led to the establishment of base camps of the Indian Army, Indian Air Force and the Border Security Force. These led to the expansion of the city because the mobility of people and goods increased. This mobility was further increased due to the expansion of the railway network and road connectivity. The opportunities to conduct trade and earn income attracted businesses as well as working classes from all over north-eastern and eastern India, including rural areas of north Bengal. Trade, commerce and tourism, in addition to tea and timber production, were encouraged by the State Urban Development Ministry, West Bengal. From the status of a recognized statutory town in 1931 and a municipal town in 1949, Siliguri grew to be a Class I town in 1981 with a Municipal Corporation in 1994.[11] The Siliguri subdivision was composed of Naxalbari, Kharibari, Phansidewa and Siliguri towns. After the declaration of the municipal corporation in 1994, the newly formed Siliguri Municipal Corporation (SMC) contained few semi-urban non-municipal areas—Uttar Bagdogra and Bairatisal (non-municipal areas), apart from Siliguri. In 2001, the total population of Siliguri had reached 472,374, with the corporation limits of the city having expanded to 47 municipal wards, spreading over the 2 contiguous districts of Darjeeling and Jalpaiguri. Among the six districts comprising north Bengal, there is just one municipal corporation (SMC); the remaining towns have municipalities.[12] As per Census 2011, Siliguri is an urban agglomeration (UA) with a population of 701,489.[13] The largest growth in population, as understood from decadal growth rates, were witnessed across 1991–2001 and were around 117.7 per cent.

Post 2000, along with the traditional inflow of migrants, some other changes took place in and around Siliguri. The entry of private groups mainly in the form of real-estate investors, the opening of shopping malls, multiplexes, hotels, restaurants and residential apartments are aspects of urbanism affecting lives of middle- and upper-middle-class citizens. Siliguri has seen high growth rates in real estate, infrastructure (especially physical), housing (township and modern apartments), corporate healthcare and private healthcare providers, education, especially schools including private corporate schools, large showrooms and shopping outlets of automobile companies, and branches of major private banks over the last two decades. This development has accompanied investment in private infrastructure projects, the development of the real-estate market and the entry of corporate real-estate giants who had political support from the state government. This pattern of development is being accompanied by demand for skilled, semi-skilled and unskilled labour due to the emergence of new job opportunities.

Areas of south-western Siliguri have seen land acquisitions for city development that accompanied the transformation of agricultural lands to urban landscapes. The agricultural lands in these parts, undisturbed till recently, are being absorbed into the city's development with the city expanding at its outer boundaries. Owing to the nexus between city administration (Siliguri–Jalpaiguri Development Authority) and private corporate agencies, real-estate players are acquiring land for city development, displacing peasants and tea-garden workers (Roy 2015). Many of these development projects are built on lands belonging to Rajbansis. A sprawling agricultural tract, Kawakhari (320 acres) in the south-western parts of SMC, was inhabited by Rajbansis and a few Muslims. A portion of the land was planned to be acquired by the government and be given to the Central Reserve Police Force (CRPF) on the eastern tract of the Mahananda River. As a result, many people (mostly Rajbansis) lost their land. Although the government promised compensation, participants stated that either the compensation was paltry compared to the productivity of the land or the compensation was siphoned off by swindlers from their own community. Narendra Singh, aged forty-five (name changed), owned thirteen bigha lands in Daknikata mouza adjoining Kawakhari. The land had been cultivated by Narendra's forefathers. The entire thirteen bigha lot was acquired by the state government and sold to the CRPF. According to Narendra, he had proper khotiani land (duly recorded in RS records). But when he took them to the office from which he should have received compensation, he was told that the papers were forged and could not be regarded as 'legal'. Despite efforts to claim compensation, Narendra failed to get any. He says the officials misplaced his land record. Narendra also says that land sharks are continuously chasing after their lands. Middlemen sell a katha at about nine lakh to rich businessmen. Pratima Ray (seventy years old) owned fifteen bigha of land in Daknikata mouza. When her land was acquired by the CRPF, she was compensated as she had proper documents. However, she feels the amount of compensation was not enough. While each katha of land in the locality costs nearly five lakh, she received two lakh per katha. She added, 'It was a double loss for us. First, two lakh per katha is much less. Second, the lands are very fertile. Compensation was settled according to two types of soil—muddy and sandy (that is, fertile or non-fertile). The rate of compensation for sandy soil was 2.35 lakh per katha, while for muddy soil it was slightly higher. However, productivity in both types of soils was high. Each katha produced almost 400–500 kilograms of rice per year. Hence, cultivation was profitable. The government promised us that one of the members would be given a job in the CRPF camp; our cows would be allowed to graze in the vacant land. I have been going from office to office for higher compensation for two years, but they won't pay us more.' Meena Sing, aged fifty-eight, owned 3 bigha of land that had been cultivated by Meena and her husband. When it was acquired, Meena went to the office for settlement of claims. Meena was told that her claim could not be settled because of improper documents. Meena relates her story:

A close relative, a few years prior to this land acquisition, had taken our land documents, saying that he would 'update our names' and pay the revenue on our behalf. I believed him because he was a close relative. But one day he came saying that I needed to put my signature on the documents, only then would they be deemed legal papers. When one or two years later the papers were taken to the office for compensation, the officials said I had made a 'gift-deed' to that relative. I pleaded with the officials to recheck, but they said that my claim could not be settled. My husband could not bear the shock of losing our ancestral land and became seriously ill. The officials failed to understand that as holders of marginal plots of land, how could we have made a gift-deed to someone?'

Meena said that even if her son had been given a job in the CRPF camp, it would have been better. But 'they did not even slightly relax their strict job criteria, despite my son's having passed the initial tests for a job at the CRPF', adds Meena. Meena, Pratima and Narendra are from three of the many Rajbansi households who lost their lands in development projects.

Many of these Rajbansi families also lost land as a result of foul play by their own community men. When an ex-officer of the L&LR Department was interviewed on land alienation of the community in Kawakhari area, he spoke about a staff member in his own office. The man was on group-D staff and had a considerable amount of land in Kawakhari. When the government announced it would be acquiring land in the area in 2005–6, he reportedly went to his community men and told them to sell off their small plots to him; he said that the government will either pay no compensation to these marginal holders of land or pay much less than he would. Hence, they should sell him their lands at whatever price he is ready to pay. He bought lands at one lakh per katha and almost fifty to seventy Rajbansi marginal farmers sold their plots to him. Now, when the government came to buy these lands, he got five lakh per katha and made almost one crore overnight. There appears to be numerous land sharks and middlemen who cheated the actual owners of the land. However, the government reportedly did nothing to verify the actual claimants of compensation.

## Early Census and Work Participation of Rajbansis in Siliguri

In the census of 1871–2 (Darjeeling District), it was revealed that Rajbansis were mainly cultivators, but some were also engaged in fishing or day labour. Apart from this, Rajbansis and Mechs were engaged in manufacturing ordinary coarse clothing, gunny bags and pottery (Hunter 1876). However, considering their preponderance in the Terai and Dooars, the Rajbansis were the landowners and derived their livelihood through farming. The Rajbansi participated largely in agricultural work in rural areas of Siliguri with only 140 of them residing in the town of Siliguri (O'Malley 1907). In the pre-colonial and colonial eras, the labour market in and around Siliguri essentially consisted of an immigrant population from South Bengal. The local labour market in Siliguri and the surrounding regions was composed of indigenous castes and tribes practising subsistence agriculture, low-class service providers and local traders. It may be argued that the presence of a service class[14] in tea plantations gave an impetus to the development of the working class in an around Siliguri.

## Livelihood Changes Associated with Shift in Landholding Patterns

The picture on labour and livelihood transformations among Rajbansis along with land ownership transformations can be compared and contrasted with the situation in Bengal as a whole. Because the Rajbansis are a dominant caste group in the state, it can be stated that the occupational patterns among the Rajbansis in Siliguri are not significantly different from those in the rest of Bengal. Nevertheless, primary data help to shed light on how the occupational shift has been substantially linked to the refugee influx from East Pakistan, the passing of the West Bengal Land Reform and WBEA Acts and the rapid urbanization of Siliguri.

## Occupational Transformations Among Rajbansis in West Bengal: The Recent Scenario

The number of Rajbansis rose by 12 per cent over the period 2001–11 (Table 8.3). However, compared to the rural population, the urban population of Rajbansis has risen by over 74 per cent. Among the total working population, the percentage of urban working population has risen significantly, by over 86 per cent. Among these are included both main and marginal workers. However, the percentage rise of urban main workers (81 per cent) is less than the rise of urban marginal workers (123 per cent) over the period 2001–11. This implies that the percentage rise in the urban population of Rajbansis has been accompanied by a greater rise in the number of marginal workers among the Rajbansis (Table 8.3).

Among main workers, there has been a large percentage increase in the number of cultivators (180 per cent) and agricultural labourers (209 per cent) in urban areas, pointing to agricultural practices among them in urban peripheries (fewer owner-cultivators and a significant rise in casual agricultural labour) and a continuing dependence on land for livelihood. Household industry workers in urban areas among the Rajbansis have witnessed a 70 per cent rise, while the ‘other worker’ category has seen a 75 per cent rise in urban areas. The other worker category includes service workers among whom a significant percentage is employed in informal services, including construction work.

The steep rise in the number of Rajbansis among marginal workers (those who get work for not more than six months in a year) points to rising marginalization. The percentages of cultivators and agricultural

**Table 8.3** Occupational distribution of Rajbansis in Bengal, percentage change over the last censuses

| | 2001 | 2011 | Percentage change over 2001–11 (%) |
|---|---|---|---|
| Population | 3,386,617 | 3,801,677 | 12.25 |
| Rural | 3,127,608 | 3,348,632 | 7.06 |
| Urban | 259,009 | 4,53,045 | 74.9 |
| Total worker | 1,399,601 | 1,572,026 | 12.3 |
| Rural | 1,304,423 | 1,394,160 | 6.87 |
| Urban | 95,178 | 177,866 | 86.87 |
| Main worker (total) | 1,058,498 | 1,172,339 | 10.75 |
| Rural | 974,436 | 1,019,348 | 4.60 |
| Urban | 84,062 | 152,991 | 81.9 |
| Cultivator (total) | 371,371 | 362,671 | −2.34 |
| Rural | 369,611 | 357,739 | −3.21 |
| Urban | 1760 | 4932 | 180.2 |
| Agricultural labour (total) | 306,915 | 381,180 | 24.19 |
| Rural | 303,788 | 371,517 | 22.29 |
| Urban | 3127 | 9663 | 209.01 |
| Household industry (total) | 43,667 | 43,103 | −1.29 |
| Rural | 34,553 | 27,581 | −20.17 |
| Urban | 9114 | 15,522 | 70.3 |
| Other worker (total) | 336,545 | 385,385 | 14.5 |
| Rural | 266,484 | 262,511 | −1.4 |
| Urban | 70,061 | 122,874 | 75.3 |
| Marginal worker (total) | 341,103 | 399,687 | 17.17 |
| Rural | 329,987 | 374,812 | 13.58 |
| Urban | 11,116 | 24,875 | 123.7 |
| Cultivator (total) | 91,262 | 64,780 | −29.01 |
| Rural | 91,099 | 64,068 | −29.6 |
| Urban | 193 | 712 | 268.9 |
| Agricultural labour (total) | 172,628 | 224,755 | 30.19 |
| Rural | 171,250 | 221,181 | 29.15 |
| Urban | 1378 | 3574 | 159.3 |
| Household industry (total) | 20,940 | 22,955 | 9.6 |
| Rural | 18,494 | 19,428 | 5.05 |
| Urban | 2446 | 3517 | 43.7 |
| Other worker (total) | 56,273 | 87,207 | 54.9 |
| Rural | 49,174 | 70,135 | 42.6 |
| Urban | 7099 | 17,072 | 140.4 |

*Source*: Census 2001 and 2011. Special tables on SC, Bengal workers have increased by 268 and 159 per cent in urban areas. The rise in the number of marginal cultivators is very high. However, the percentage rise in the number of urban household industry workers is limited (43 per cent) compared to the significant rise in the number of other workers in urban areas (149 per cent) over the decade.

It can be asserted that the data on the one hand hint at increasing the number of marginal farmers and casual agricultural labourers among Rajbansi workers in the urban peripheries. Given that Rajbansis were primarily dependent on land-based livelihoods, their high concentration in urban peripheries practising rural subsistence farming indicates pauperization, marginalization and impoverishment. This scenario of the labour market is linked to the transformation of the land from rural hinterlands into urban peripheries. To understand the linkages, causes and consequences of the emerging labour market participation among the Rajbansis, the greater political economy in which these changes took place need to be understood.

## Land Alienation and Labour Transformations

From the middle of the twentieth century, the process of land alienation of Rajbansis accompanied alterations in livelihoods. In Bengal, this is linked to the passage of the WBEA (1953) and LR (1955) Acts as a result of which the Rajbansis lost major portions of their holdings. Land loss was rampant and acute enough to reduce Rajbansi landlords to agricultural labourers (Jana 2008). Most of these Rajbansi adhiars, who were earlier occupied in the lands of Rajbansi jotdars, subsequently became daily wage earners in the expanding informal economy in Siliguri and adjoining areas. Because there was no documentation on these Rajbansi adhiars (which was undertaken much later, under a different political regime, *Operation Barga*), the land reforms failed to benefit them substantially. The smaller jotdars and adhiars subsequently changed their occupations from cultivation to service-oriented jobs in the informal economy. On the other hand, tribals from tea gardens migrated to work as agricultural workers competing with Rajbansi farm workers. In these cases, it can be understood that this informal means of livelihood was mostly in the construction industry, domestic work or petty trading. While the construction sector is marked by seasonality and transitory work, it implies greater reliance on middlemen or contractors for obtaining a job. Even domestic work was seen as being a not-so-easy option owing to the preponderance and rising number of East Bengali households who preferred to employ women from their own community instead of Rajbansi women.

The forefathers of Sabita Ray and Dinu Ray were jotdars whose lands were forcefully acquired in the overnight attack by CPI-ML cadres. They related histories of court cases over forced acquisitions by CPI-ML cadres, most of which yielded no positive outcome. These households were agricultural households whose members tilled the land themselves with help from their family labourers and adhiars. On losing land, Dinu and his elder brother did not take up any other profession. Instead, they sold the remaining lands to cover family expenses. Their forefathers were owner-cultivators, the present generation (third and fourth generations) does construction work for a living. They are engaged in casual wage employment in iron, marble or wood work in the construction industry. Dinu Ray's elder son, however, manages to run a small almirah manufacturing workshop, while the younger son is self-employed in electronic goods repair. Sabita previously cultivated her land near Ashighar. After losing her land, she frequently changed occupations. She says, 'After losing the land, I along with my family came to the village across the bypass. I searched for domestic work but found none. I took to collecting firewood travelling to forests every day. Later, I bought a cow and sold milk to earn a living.' Sabita's middle-aged son is a casual wage labourer. Sabita, Dinu and their children failed to secure a means of earning a living that would ensure a steady flow of cash.

The livelihood changes among the landholders in Siliguri were gradual and inter-generational. On the other hand, the holders of land in the peripheral areas, south-west of Siliguri, experienced land alienation and livelihood shifts overnight. All three participants interviewed in Daknikata mouza adjoining Kawakhari were cultivators. Narendra Singh, on losing his land overnight, became an electric repairman using what little skill he had. As he was deprived of compensation, he lacked finances for starting a new business. Pratima Ray and Meena Sing owned and ran a *kirana* shop.

While Pratima started her shop with the compensation money, Meena had started her shop nearly twelve years ago. As Meena had only three bighas of land to cultivate (acquired eight years ago), she started the shop to supplement her family income. Now, having lost the land and compensation, the kirana shop helps her to support her family. Meena has another two bighas of land, situated on the other side of the village, that she tills with her family. Because of this forced land alienation, labour property and the labour process are also undergoing significant shifts. Previously owners cultivated their own lands with the help of family members, whereas now they are left with only one option—find casual wage work in informal services.

## Transformation of Rural Hinterlands into Urban Peripheries and the Emerging Labour Market: The Case of Two Neighbourhoods

Thus, with industrial development limited and public sector growth stunted, the working poor in unskilled and semi-skilled jobs are finding recourse in informal employment in casual or regular service-oriented jobs. Thanks to expanding work options in the city, many people, including the Rajbansis from rural parts of north Bengal, came here to seek work in the informal sector. Many of these families had lands in Coochbehar, Falakata, Alipurduar, Gangarampur, Balurghat, Dinajpur and so forth. They sold their agricultural lands in those areas and came to settle in the eastern parts of the city fifteen to twenty years ago. However, owing to various factors (which also included the rising price of land, even within urban boundaries), they were forced to move eastwards as far as the fringes of Baikunthapur Forest. As the city continues to expand in this area, many of the neighbourhoods have a Rajbansi, tribal-dominated population, occupationally concentrated in the construction sector (iron, marble, wood, brick and mortar) or in petty services. Among them a significant number are dependent on forests for their livelihood. Chota Phapri and Bada Phapri are two small neighbourhoods a few kilometres from the EM bypass. These villages have grown up on the peripheries of Baikunthapur;

Falabari, Cheulibari, Chota Phapri and Bada Phapri are the names of some of the localities which have grown along the Sahu River banks. These localities are new and mark the expanding urban peripheries of Siliguri, absorbing rural and even forest hinterlands. Communications are cheap and good, which makes these places easy to reach. The name *Phapri* draws its meaning, *perforated*, from a local dialect. Locals say that as this neighbourhood is located on the banks of the Sahu River and is seemingly criss-crossed by river banks and forests, it is called Phapri. Bada Phapri is an apparently larger locality inhabited by Rajbansi, Nepali and tribal (adivasi) families. Four Rajbansi families were interviewed. Previously, these families had small land plots in Ektiasal (within the SMC area), but, owing to financial problems, they had to sell their property and move to this village further into Baikunthapur Forest lands and settle down. Madhab Singh (forty-six years old) and his family are originally from Haldibari, a town in north Bengal. Madhab's father and uncles inherited a total of sixty bighas of land from their father. However, the family eventually sold fifty-five bighas, mostly to Bangladeshi migrants. Madhab's father sold his share out of the remaining five bighas of land to his uncles and came to Siliguri in search of work. Madhab's father bought and settled on 4.5 kathas of land in Ektiasal, did casual wage jobs and farmed the land. However, owing to financial needs, his father sold two kathas, and Madhab and his family built a home on the remaining 2.5 kathas in Ektiasal. However, he was forced to sell off the land fifteen years ago owing to a sudden financial crisis in the family. Madhab then stayed in a rented room with his mother, wife and children for a few years and eventually bought the present plot of land in Bada Phapri and built a house on it. Madhab earns a living selling lottery tickets in the city of Siliguri.

Shefali Ray (forty years old) and her husband went to the forests and collected firewood, selling it in the local market to earn a living. Shefali left this work seven years ago, and her husband joined a private transport company as a casual wage labourer for loading and unloading goods. Shefali's husband and brothers-in-law owned five kathas of land on the EM Bypass. They sold the land and Shefali and her husband took their share. They bought the present land and built a home, where Shefali lives with her husband and daughter. Chhaya Ray (sixty-four years old) and her husband owned three kathas of land in Ektiasal. Her eldest son was in an abusive marriage and had to pay a lump-sum alimony in lieu of separation. The family sold their land in Ektiasal to pay the alimony. Chhaya came with her husband and three sons and built a dwelling in Bada Phapri. Chhaya's husband and sons are casual wage workers in the construction sector. Madhab, Shefali and Chhaya had marginal plots of land on the city's fringes; owing to financial needs, they sold their lands and moved to the rural and forest hinterlands. There are households residing on the Baikunthapur Forest margins that are involved in service jobs as rickshaw pullers, toto[15] car drivers or construction workers. Many of them are wholly dependent on the forest for their living.

Chota Phapri is a comparatively new, ten- to fifteen-year-old settlement. It contains a mixed population—Bengalis (from Assam, less-developed parts of rural north Bengal), Rajbansis (less-developed parts of the rural hinterland, Gangarampur, Balurghat and so forth), Nepalis and Biharis. While the residents said that these are vest lands of which they now have patta, some have reportedly registered their lands with the land registration offices. The residents are mostly construction workers (brick, mortar, wood, iron, marble). An elderly man, Rupesh Barman, age seventy-five, was interviewed. He lived in Ektiasal five years ago. He said:

My brother and I came from Mathabhanga (Coochbehar District). Our father had 30 bighas of land there. Our father and we ploughed our lands. Eventually, the land was entirely sold off at very low prices out of economic compulsion. We came to Siliguri in search of a living. My brother and I drove rickshaw in the city. That was about 15 years back. We bought a small piece of land and resided in the Ektiasal area. But eventually, our families expanded, children grew, got married, and we sold off the land. My brother and his family went to Hatiadanga, where he still drives rickshaw. I came along with my family and bought a piece of land and settled here. I left rickshaw pulling because it has no dignity, people do not give respect even if we are old and infirm. So now I survive by selling firewood collected in the forests.

A group interview was held in Chota Phapri with four residents. A middle-aged man, a construction worker by occupation, replied, 'People presently residing here include those who earlier lived in rented cottages in the city doing casual day-wage jobs. With a little accumulated money, most came here, bought a small piece of land and settled here.' The group discussion revealed that most of the people were casual wage workers in the construction sector working in different parts of Siliguri and its outskirts. It is evident that Siliguri and its adjoining towns are experiencing rapid growth in construction and real estate, which creates a demand for construction workers. While interviewing the contractor, it was stated that there is a preference to hire Rajbansi men and women in this work. This is mainly because of their physical structure and that they are not shy about accepting any work offered to them.

Located just on the margins of Baikunthapur Forest, the villagers are largely dependent on the forests for their living. Rupesh Barman said, 'Earlier a lot of people used to travel to forests daily to bring firewood. But the number of men and women travelling to forests daily has gone down these days.' Travel to deep forests (five miles from the village) is risky because of wild animals. Additionally, the forest department has imposed restrictions on forest products. Villagers, therefore, can carry only dry leaves and firewood from forests, but they cannot fell trees. Since forests are unreachable during the monsoons and after, this is not a round-the-year job. Firewood sells for Rs. 60–200 for 40 kg. Two of the participants in the samples, both older than seventy-five years of age, were found to be engaged in this. Land alienation severely impacted the older participants. Previously, owing to family ownership of land, it acted as a form of security in old age. However, now they are forced to work because their children's incomes do not cover all of the family's expenses.

## Conclusion

The process of the proletarianization of the Rajbansis in the northern part of Bengal has been attributed to the political-economic processes of land alienation and urbanization of Siliguri and adjoining areas. The process has its roots in social causes. Reasons for land alienation have been attributed by Mukherji (1987) to a lack of education or the necessary farsightedness with respect to the plight of their people, a combination of economic prosperity along with social backwardness (ibid.). An aversion to hard work and innovation, education and jobs led to their downfall. The case of Ramu Sing can be highlighted here. Because land is abundant, Ramu's father and uncle left their jobs to do agricultural work. Ramu says, 'Jobs under somebody, it might be the government was looked down upon, it was servitude, and we were jotdars.' This hints at the thought in this community that the government was not necessarily theirs because it showed utter disregard for their condition. The Rajbansis took pride in retaining control over their family's labour power. Although subsistent, the income obtained was enough to cover essential household expenditures. However, owing to a lack of education and foresight, they failed to understand the political and economic forces leading to their dispossession. The importance of education and awareness is considered important by the present generation. One particular case can be highlighted here. Two of Ramu's cousins are in government jobs. Ramu says, 'My uncle realized the importance of education and had educated my cousins. If our father had done the same, we would not have been in this condition. My cousins are well off, with land and houses in the city centre. Because they were aware of the market prices of land, they resisted selling their land when the prices were very low. Since they had jobs, they could support their families without having to sell the land.' Ramu also tells the story of his neighbours—Sukhalal Ray, Dharan Singh Ray, Barga Ray and Khaiga Ray. Their fathers were landlords with a hundred bighas of land. They lost their land because of a land ceiling, and the remaining land was sold in exchange for commodities. The present generation is employed as casual wage labourers in construction work. A lack of education limited their understanding of the politics and economics of the real-estate market.

However, another aspect of selling land was highlighted by Dhyan Singh, aged ninety. He said, 'Land in the eastern portions of Siliguri were not very fertile. As we did not have modern means of cultivation, produce was not enough to feed everyone in the family, buy medicines or send children to school. Therefore, land was sold. We had 246 bighas of land, including Kali Prassana Jot, Papia jot, Ramu Sardar jot (these are present-day northern and eastern areas).' According to Dhyan Singh, his father did not altogether disregard the importance of education. He said, 'A man from East Bengal (Bangladesh) was brought to educate us. He and his family were settled on our lands.' However, Dhyan also hints at the excessiveness of his community men. 'Another man was brought to make ornaments, because Bengali designs were liked by the women in our family. The man and his family were settled on our land.' Ramu and Dhyan pointed out how lands were given away at very low prices. Each bigha was sold for a mere Rs. 200–300. Also, land was measured crudely by hand. For example, forty hands of land, and in addition, 'some more' would be given to people in exchange for petty services. Dhyan's son pointed out that the Rajbansi community lost everything because of their lazy attitude and a lack of motivation to do hard work. One thought predominated in their minds: 'Why work when the granary is full of rice?'

The peasant revolt by the Naxalites in 1967–72 (Mukherji 1987), which had its roots in north Bengal, adversely affected the Rajbansi jotdars. Aimed at uprooting the jotdari–adhiari system, the cadres of the CPI-ML took to acts of violence and torture to evict the Rajbansis, who were already in the process of losing their land because of the migration of eastern Bengalis from East Pakistan and the ceiling on landholdings imposed by the West Bengal government. A lack of education prevented them from demanding adequate compensation. Other CPI-ML activists wreaked havoc under the guise of the Naxalite movement. But participants also pointed out that these people, who were mostly eastern Bengali migrants (having titles of Pal, Saha and so forth), took advantage of the situation; after driving away the Rajbansis, they settled their own people on the land. In this regard, it may be said that the Naxalite movement was perhaps ill conceived because it fomented peasant revolts notwithstanding the demographic composition of the region. Mukherji (1987) points out that the social organization of the Rajbansis is a self-regulated and self-sustaining institution. Based on patrimonial–feudal relations, the jotdari system needed no coercive force to sustain it (ibid.).

The administration did nothing to ensure ownership over their lands even after the ceiling on excess lands. The relative success of the land ceiling and redistribution of vest lands in the northern districts of West Bengal compared to the southern districts (Sengupta 1981) also hints at easier land acquisitions with minimum protests from docile and harmless communities. Even the armed agrarian revolt started and gathered momentum from the northern districts; the intentions of those who attacked and plundered the community are questionable, in turn raising doubts about the effectiveness of these pro-peasant movements. Along with the rich body of literature on the political economy of northern

Bengal, Dooars and Terai in particular, the cases have helped to explore the reasons behind land alienation. Although the reasons are heterogeneous, they were simultaneous and substantiated one another. While some of them were accompanied by examples of land sales by grandfathers and fathers out of economic and social necessity, nearly all illustrated events of land loss were due to forced acquisition (ousting) by political groups or East Bengalis (the political developments behind such ousting remain unknown to them). A few of the people involved also talked about the economic loss they suffered owing to the enactment of land reforms by the West Bengal government. The left-leaning government, which boasted of its pro-poor livelihood support strategies, actually could not do much to prevent these Rajbansi jotdar families from losing their land. The prevalence of Rajbansi communities in construction jobs, residing in the Dabgram (GP-II) area, inland up to the eastern forest fringe areas, speaks of this ongoing process of land alienation not only in Siliguri but also across rural north Bengal (districts of Coochbehar, Jalpaiguri, Dinajpur and so forth). As a result, many people turned to alternative sources of livelihood to stay afloat. Previous owners of land in the neighbouring districts of north Bengal (Jalpaiguri, Coochbehar) came to Siliguri after their families sold off their land, leaving behind cultivation, to work in an expanding informal economy. The reasons they sold their land were similar to those cited by the study participants in Siliguri. One man was a lottery ticket salesman, the other three men were engaged in construction work (brick and mortar, iron and marble).

The process of land acquisition by force nevertheless persists to the present under a different political and development scenario, the results being similar and irreversible occupational transformations, but the difference is felt only at the speed at which it is occurring now. In the newly developing urban areas of Siliguri, land alienation is taking place at a faster pace. In the study presented here, in one of those areas, the interviewees were agriculturists until eight years ago. Of the five people interviewed, one person still tills the land he has, two women run kirana shops and till their remaining small plot of land, while another middle-aged man has changed professions to become an electric repairman. The livelihood of the present generation of Rajbansi kshatriyyas is thus severely impaired. Such exclusionary development outcomes have in turn led to major resentments, culminating in the demand for the separate state of Kamtapur (for Rajbansis). Although the study lacks quantitative illustrations to project the present landholding status of the Rajbansi community, it is evident that the original inhabitants of Siliguri and neighbouring areas are witnessing labour transformations along with land alienation. This brings us once again to the debate on the state's role in protecting the rights of indigenous peoples and promoting their livelihood.

## Notes

1. Ektiasal, Fokdibari, Kawakhari-Daknikata, Chota Phapri and Bada Phapri are the names of these neighbourhoods, which are located on the city's urban peripheries along the city's Eastern Metropolitan Bypass.
2. Khotians imply the land ownership document which bears the name of the owner, the type of land under occupancy (agricultural or fallow or low-lying land) and the amount of land.
3. Khasra implies a government document or bookkeeping, which includes the names of the owners and amount of land under his or her occupancy.
4. Eastern Bengali refers to people who had migrated from erstwhile East Pakistan.
5. Bengal District Gazeteer (Dash 1947) defined a jotdar as one who held land under the government and paid taxes directly to the government. The existence of jotdars predated the British administration, which could not deny the hereditary rights of the jotdars. Based on heterogeneity in the size of land, there were large, moderate and small holders. The large jotdars had a large part of their land cultivated by their fellow kinsmen, the adhiars, while the moderate jotdars cultivated some part of the land by themselves and employed adhiars to cultivate the rest. The smallholders were almost all owner-cultivators. To facilitate the rent-seeking process, the Brits divided the system based on the amount of self-cultivated (by the jotdars) and sharecropped lands (to the adhiars) into a system of tenants and subtenants. Adhiars were given lands to cultivate in exchange for a contract by which they could retain 50 per cent of the gross produce.
6. Pattas imply rights of use (agricultural and non-agricultural) and ownership; beneficiaries can sell it off only after it has been in their possession for ten years.

7. In West Bengal, in the British period, 1 bigha was equal to 0.1338 hectares or 0.3306 acres.
8. 1 bigha= 33 decimals or 20 kathas.
9. The Tebhaga movement was the first peasant movement in India led by leftist ideology. It sought to secure two-thirds rights over gross product of the adhiars or actual tillers in place of one-half.
10. The Bangladesh War of Liberation, which ended in 1971, was followed by the assassination of President Sheikh Mujibar; this created political instability alongside massive political insecurity for the Hindu families and therefore forced migration (Datta 2004).
11. Information obtained from the website of Siliguri Municipal Corporation at http://www.siligurismc.com
12. http://censusindia.gov.in/towns/wb_towns.pdf
13. http://censusindia.gov.in/2011-prov-results/paper2/data_files/India2/Table_3_PR_UA_Citiees_1Lakh_and_Above.pdf
14. Service class; refers to people employed in tea gardens as clerks (babus), people in management who bought lands in and around Siliguri to settle.
15. Toto cars are battery-driven cars used intra city and employ a significant number of young people.

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# 9

# Street Food, Food Safety and Sustainability in an Emerging Mega City: Insights from an Empirical Study in Hyderabad, India

Christoph Dittrich

## Introduction

Street vendors are too prominent to be ignored in Indian cities. In Hyderabad, thousands of hawkers sell simple rice and dal dishes, and a wide range of snacks, sweet items, fruits and beverages on the streets and on footpaths, at markets, and in front of hospitals, schools, government offices and cinemas. Street food vending plays a triple role in this large urban agglomeration of 7.7 million people. Firstly, street food is important for urban food security as it is affordable, nutritious and culturally acceptable and primarily serves the needs of highly mobile, physically hardworking and poor urban dwellers. Urban middle-class people also show a growing interest in street food because of the 'coolness factor' associated with it as it is considered to be a traditional take-away dish. Secondly, the highly decentralized street food vending system operates on resource efficiency owing to the low energy inputs it requires and the

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limited waste and low greenhouse gas emissions it produces (Mamidi et al. 2013). Thirdly, it provides important income opportunities and a flexible but profitable income source, especially for those who do not fit in the formal economic system. However, the street food sector faces challenges and obstacles concerning the modes of street food governance and food safety.

This chapter deals with the findings and experiences of a number of empirical studies conducted from 2008 to 2014 in the Indian city of Hyderabad.[1] The project has run through two major phases (preparatory and research phase and application phase), pursuing the following analytical steps:

- Evidence-based empirical research on the metropolitan food system of Hyderabad, emphasizing street food, including governance structures and policies, was undertaken. Following an initial pilot study, more than 300 structured interviews with street food vendors were conducted mainly in the Charminar area of the old city, in Abids and Himayatnagar. To collect the data, the interviews were conducted during both mornings and evenings, as well as on weekdays and weekends. In addition, we conducted thirty in-depth interviews with street vendors and had many talks with representatives of government authorities (e.g. Food and Nutrition Board, Department of Consumer Affairs, Food and Civil Supplies, Government of Andhra Pradesh), petty traders associations (e.g. National Association of Street Vendors of India (NASVI)), scientists and non-governmental organization (NGO) representatives.
- One demand-driven pilot project comprising three best-practice activities (Sustainable Street Food Plan), drawn upon empirically substantiated data, has been conceptualized.
- The goal is to implement, monitor and evaluate the pilot project (by sensitizing, awareness raising, training and education, policy dialogue).

The particular challenge of the project was to link evidence-based research results on challenges related to the dynamics of change in the street food system of Hyderabad to climate change issues and to develop applicable solutions for building resilience. One major challenge has been to convince municipal stakeholders and authorities to initiate action concerning change in street food politics and institutional regulations.[2]

The objectives of this chapter are to present the major changes in Hyderabad's food system, provide empirically based insight into its basic characteristics, prevailing modes and problems of street food governance, and, lastly, emphasize capacity-building measures related to street food safety and sustainable livelihoods.

## Hyderabad's Food System in Transition

Rural–urban food systems are complex networks of food production, exchange, distribution and consumption (Cannon 2002). The first two subsystems are identifiable in relation to assets, sales and production, earned income and relation transactions. The last component relates to the actual provision of nutrition. Between production, exchange and utilization is the intermediary subsystem of distribution, which deals with logistical and political factors. The outcome of any agro-food system is food security. Food security is not only a condition but also a process that relates directly to the elements of an agro-food system (Ingram et al. 2005: 9). Food security encompasses food availability (referring to the amount, type and quality of food at one's disposal), food accessibility (referring to the ability to access the type, quantity and quality of food one requires) and utilization (referring to individual or household capacity to consume and benefit from food) (Ericksen 2008). Sen (1981: 1ff) in his food entitlement approach extends the concept of food security by adding three more important elements: affordability (purchasing power), allocation (food governance) and preference (social and cultural norms).[3]

The food system of Hyderabad is subject to dynamic transitions with respect to all its subsystems. Growing disposable household income, new lifestyle choices and food-retail scapes strongly influence how and what kind of food items are produced (Pingali and Khwaja 2004). New technologies encourage modernized distribution systems, and consumers are exposed to mass media and advertisement channels, thereby shaping the system through their preferences. Authorities also contribute through regulations and programmes, setting a particular agenda through decisions for certain priorities and against others. Hence, all those processes and configurations of the agro-food system constitute and restructure, as a whole, what Bohle (1994) refers to as 'metabolism'.

One of the main driving forces behind this transformation of the rural–urban agro-food system is the emerging middle-class consumer, the most visible representative of India's economic liberalization. One important segment of the urban middle class consists of highly skilled professionals of modern service industries whose most characteristic feature appears to be consumerism (Gopal and Srinivasan 2006). Their resource-intensive life-styles increasingly contribute to the growing demand for ecosystem services, such as the provision of food and regulation of water quality and soil, as well as recreational and other non-material benefits. For them, motorized shopping, food purchasing based on brand and style, eating out in high-status restaurants, coffee shops and fast food outlets has become a new status symbol (Brosius 2010; Osswald and Dittrich 2012). Notably, the emerging supermalls with their everything-under-one-roof and shop-in-the-shop concepts appear to be sanctuaries for middle-class shoppers, who can temporarily remove themselves from the noisy and dusty Indian mainstream.

## Trends in Food Retailing and Provision System

Since the late 1990s, Hyderabad, like most other large Indian cities, has seen the entry of the corporate retail sector at an increasing rate. Malls, super- and hypermarkets, fast-food outlets, coffee shops and ice-cream parlours have mushroomed all over the city. However, the city's food retail system is still dominated by high levels of informality, self-organization, low capital input and low greenhouse gas emissions. Most retailing of fresh foods still occurs at regulated producer markets (*rythu* markets), roadside stalls or in thousands of small general merchandise stores (*kirana*). In these places, customers are served by the shopkeeper, credit purchase is available and home delivery services are usually offered. This traditional food retail system, characterized by decentralized shopping opportunities, is now under pressure. Johnsdorf and Dittrich (2009) have studied the negative effects of corporate retail outlets on the existing system of micro-retailers and roadside hawkers. For instance, *kirana* shopkeepers in close proximity to newly established supermarkets complain about their loss of sales (particularly staple foods in bulk) and profits.

## Changing Food Purchasing and Dietary Patterns

It is mostly the upwardly mobile urban middle class which enjoys the fruit of the 'retail revolution'. A survey undertaken in one of Hyderabad's upmarket suburbs reveals that particularly members of the middle-class age group of twenty-five to forty years prefer to purchase their food and beverages from sophisticated retail outlets. The reasons given by customers for buying there are the large variety of hygienically packaged food items, special offers for buying in bulk, a relaxed air-conditioned environment, shorter shopping time, and easy accessibility by private car. Three-quarters of middle-class consumers purchase processed and convenience food, and most items bought are ready-made products (Dittrich 2009). With more single working mothers, nuclear families and generally faster-paced lifestyles, Hyderabad's affluent classes are also increasingly prepared to spend money on eating out and ready-to-eat food and to sample alternative non-Indian cuisines and more diverse food and beverage products. Interviews conducted with young urban 'climbers' reveal that their enthusiasm for resource-intensive, high-emission lifestyles suggest their desire for social acceptance. This has been particularly true of young male graduates employed in modern service industries, for example call centres (see also Upadhya 2009). The changes in dietary practices and lifestyles associated with rising affluence has drawn attention to the disturbing escalation in the prevalence of chronic non-communicable diseases, especially coronary heart diseases, diabetes mellitus, hernia, liver disorders and changing profiles of cancer (Govt. of India 2016). The underlying feature common to these developments is the rising prevalence of overweight and obesity among Hyderabad's middle classes. Obesity results from the over-consumption of calories and too little exercise and often occurs in combination with genetically induced metabolic disorders, such as hypertension, insulin resistance and dylipidemia (Sawant et al. 2011). Hyderabad also exhibits a dramatically increasing incidence of diabetes and impaired glucose tolerance due to unhealthy lifestyle modifications. In the city 17 per cent of adults are estimated to suffer from this disease; it has India's highest concentration of diabetes cases. This share is three times higher than twenty years ago (Govt. of India 2016; Mohan et al. 2004).

The process of food transition is clearly assisted by the mass media and more recently by social media sites. According to Pingali and Khwaja (2004), 50 per cent of food advertising in India is targeted at children, and 70 per cent of customers who purchase convenience food do so because their children ask them to. As a result, the media and social networks make certain types of food socially prestigious or attach a label of tastiness to certain dietary items.

The growing market for organic food in recent times reflects the increasing health consciousness of the more affluent urban class. There is also increasing demand for 'light' products and a shift to nutritionally fortified food products like iodized salt or calcium-enhanced milk products (Osswald and Dittrich 2012; Osswald and Menon 2013).

On the one hand, there has been a process of ongoing urbanization and continued global integration of Hyderabad's food market, on the other hand, rising food prices, food insecurity, deficient diets and undernourishment are on the rise. Income-poor and vulnerable households must cope with declining food entitlements by purchasing food of lower quality and fewer fruits and vegetables and by increasing purchases on credit. There is still a widespread incidence of protein-energy malnutrition, micro-nutrient deficiencies and iron deficiency anemia, particularly among poor women and children in the city (Bergmann and Dittrich 2012). According to the National Family Health Survey (NFHS-3) in Hyderabad, 32 per cent of children under five living in slums experience stunted growth, 11 per cent are wasted and 26 per cent are underweight (Govt. of India 2009).

## Street Food in Hyderabad

Street food includes 'any food that can be eaten without further processing and is sold on the street, from pushcarts, baskets or balance poles, from stalls or shops having fewer than four permanent walls'

(Tinker 1987: 52). The Food and Agriculture Organization of the United Nations (FAO) (1997: 4) defines street food as ‘ready-to-eat foods and beverages prepared and/or sold by vendors and hawkers, especially in streets and other similar public places’.

## Basic Characteristics

Food vending in public spaces represents a means of earning a good living and a significant functional element in the food distribution system of urban India. Street food readily available on streets and footpaths, at markets and transport nodes contributes to urban food security. Moreover, street food and outdoor eating are vital elements of urban public life (Dittrich 2008; Bhowmik and Saha 2012). In recent years, all major Indian cities have seen a substantial increase in the number of street food vendors. The main reasons for this are the increasing influx of rural migrants, informalization processes and insufficient capacity of formal economic sectors to create adequate numbers of new jobs for persons usually with low educational background (Dittrich 2008; Etzold 2013). Demand for street food is also increasing as a result of population growth, higher employment rates among women and increasing commuter traffic. In 2011, about 7.7 million people lived in Hyderabad, making it the sixth largest city in India.[4] It is estimated that approximately 20 per cent of these people live below the poverty line, while two-thirds of the total urban workforce was informal. In the city, approximately 15,000–20,000 street food vendors are stationary, in the sense that they occupy space on pavement or other public space, or semi-mobile or mobile, in the sense that they move from place to place, supplying fresh vegetables, fruits, beverages and multi-cuisine food items at affordable prices.[5] Their sale booths can be set on private property, but most often they conduct their daily business in public spaces, either being tolerated or filling corners and recesses in public ‘edge spaces’. While permanent spots are usually more profitable, ‘flexibility can be an advantage, too, as the more mobile vendors can access customers at various places and can often circumvent problems with authorities’ (Etzold 2013: 84). By the year 2013, modern food trucks were introduced in Hyderabad, predominantly at the hands of migrants returning from Gulf countries who invested their savings in this promising new business, reinvented themselves and worked as cooks. Strategically parked at prime vending spots adjacent to offices of multi-national conglomerates in Jubilee Hills, Madhapur and Gachibowli, they usually serve their customers (mainly employees of the modern service industries) with delicacies for every palate.

Street food is not only comparatively cheap; it is also tasty and nutritious and culturally accepted, which makes it an important aspect of urban food security. The present study revealed that about 75 per cent of adult Hyderabadis regularly purchase street food. Street food satisfies the basic nutritional requirements of various consumer groups. It can supplement people's daily nutritional needs. Students, cinemagoers, commuters or middle-class families spending their leisure time in parks regularly enjoy tasty snacks and beverages in between. However, street food also serves as a substitution for food prepared at home. Factory workers, artisans, office employees, rickshaw drivers and day labourers urgently need energy-rich but affordable snacks, meals and sweet beverages to sustain their strength during the day. Because time for cooking is limited, working women also buy street food items in little plastic bags on their way back home from work ('plastic bag housewives'). Street food, being a part of the local cultural heritage, enriches urban life. Despite the increasing number of hypermarkets and Western-style fast food outlets, the vast majority of Hyderabadis still prefer traditionally prepared food. Hyderabad's cuisine is quite unique in India and represents an amalgamation of Mughal, Persian, Turkish and South Indian cuisines, offering a variety of dishes for any occasion (for example, Haleem, a stew composed of meat, lentils and pounded wheat made into a thick paste and consumed especially in the Islamic month of Ramadan during *Iftar*). Though many students like to enjoy their leisure at their 'coolest' food stand, many prefer eating outdoors nowadays and opt for tasty street food. The author absolutely agrees with Etzold (2013), who stated that urban street food systems in South Asia should not be exclusively regarded as a marginal informal practice, but also as a crucial food service, an important lifestyle and a vital aspect of modern urban life.

It is relatively easy to enter the street food market of Hyderabad because fairly little capital is needed to start a business. According to our survey, about 75 per cent of the interviewed street vendors permanently lived in Hyderabad for more than ten years, and only a quarter said that they recently migrated to the city. The level of formal education among the interviewed hawkers was astonishingly high; more than 50 per cent held an intermediate secondary school level certificate, whereas less than 10 per cent were illiterate. Better-educated street vendors complained about the inadequate number of job opportunities in the regulated economy and the very high financial barriers to entry with these kinds of better-paid jobs.[6] They usually start their business as a kind of last-ditch attempt to earn a living. Street trade in Hyderabad is dominated by men (about 75 per cent). Women, who usually have smaller businesses, are often economically and socially marginalized (Rani and Dittrich 2010). With regard to turnover and income, the situation also varies considerably. A few famous vendor families sell local delicacies at various prime locations of the city, employing about fifty people, who prepare and sell the foods. Their turnover exceeds ten lakh Indian rupees per day. However, the vast majority of street vendors maintain their livelihoods in relative poverty, risk, uncertainty and continual stress. They must cope with these obstacles on a daily basis. Income loss due to sickness, bad weather conditions, robbery or bribery to police and local power brokers are difficult to manage, which is why many small vendors suffer under the burden of huge debts. Repayment of these debts represents a formidable challenge for them, which in turn hampers investments which are necessary for the growth of the business.

## Street Food Governance

Apart from its many advantages for urban consumers, the street food system also faces a lot of challenges and constraints. Planning authorities often see street food vending as an outdated business, associating it with traffic obstructions and health hazards and, hence, deeming it unsuitable for fulfilling ambitious modernization programmes. The Street Vendors Act of 2014, in place in Telangana since 2016, reveals the determined efforts of the Greater Hyderabad Municipal Corporation (GHMC) to decriminalize and regulate street vendors and have vending spaces officially demarcated.[7] Local authorities began to undertake actions whereby the city's commercial streets would be categorized by vending, partial vending and non-vending zones. According to press releases, 'the officials could demarcate 40 zones and place them under vending and partial vending zones, they are yet to declare any busy traffic junction as a non-vending zone due to local political reasons.… Officials have yet to survey the sensitive zones, which includes SR Nagar, Abids, Sultan Bazar and parts of the old city where they expect to face resistance of the petty trade unions'.[8] Tensions are rising as vendors fear losing their traditional prime selling locations, particularly the popular venues, that is, around Charminar in the old city. A town vending committee composed of government officials, street vendor representatives, non-governmental organizations (NGOs) and community groups was successfully established in the city to arbitrate these conflicts over the utilization of public space. Until February 2017, there were more than 20,000 petty trade vendors across the city and more than 10,000 ID cards were issued.[9]

Despite the new regulatory framework, street vendors still spill out onto streets, roadsides and footpaths, which incites conflicts with authorities. Many street vendors must still work under semi-legal or illegal conditions and face threats of displacement and confiscation of their belongings if they fail to pay the weekly hafta.[10] Women vendors in particular face major obstacles concerning physical integrity and enforcement of legal rights. 'Clean-up drives' by police in the name of assuring pedestrian safety, traffic flow and city beautification create hassles for vendors. Harassment by traffic police and bribes which vendors must pay to be exempted from possible eviction from their vending sites are some of the major challenges they face (Rani and Dittrich 2010). This situation is not unique to Hyderabad. In other Indian cities, confrontations between street vendors and state authorities are also frequent and sometimes become violent.[11] Etzold reports this system of extracting money from street vendors in Bangladesh's capital Dhaka as follows:

> Vending spots are allocated to individual vendors for a specific price—the most lucrative vending spots are more expensive. The street vendors pay the money to so-called *linesmen*, who hand this money over to the local muscle men (*mastaans*), who are often part of the formal system of political parties

> or trade unions, or they submit it directly to the police. In return, the vendors can secure permanent or regular access to the site, and they get relevant information about police raids and support when an eviction drive occurs. (2013: 261)

The stiff competition among vendors for space and customers is associated with a relatively weak degree of self-organization. Only about 20 per cent of the vendors interviewed were organized into so-called vendor associations or trade unions. These organizations (few of them are members of the town vending committee) focus on securing the livelihoods of their members, providing support in times of crisis, and offering legal aid and capacity building. They are committed to struggling for the creation of a supportive environment for street vendors to conduct their legitimate vending activities.

## Street Food Safety and Public Health

Food safety is an important element of food utilization. The World Health Organization asserts that 'food borne illness is a major international health problem and an important cause of reduced economic growth' (Mensah et al. 2002: 546). It is not surprising that street food safety issues, food-borne diseases and related health issues are regularly discussed in the literature on street food vending.[12] Food samples taken from vending sites in Dhaka/Bangladesh, where unhygienic food handling practices were observed, revealed different types of microbiological contamination, for example, coliform bacteria, which indicate the risk of contracting food-borne diseases (Etzold 2013). Many vendors also use over and over the same low-quality vegetable oil for frying. Interviewed food inspectors from the health department indicated that regularly observed repetitive use of vegetable oil for frying reduces the quality of food items prepared and can cause health problems. But the same public officials also revealed that the microbiological quality of street food samples is generally within acceptable safety and legal limits. Our studies share this view. Food safety standards in Hyderabad can be regarded as similar to or even better than those in restaurants and other eateries. Most vendors run their business with great care; food items are freshly prepared in front of the customer, dishes are prepared on a daily basis and leftovers are uncommon. Food contamination was rarely be observed. However, the public discourse on hygiene and food safety, based on the middle-class perception of good and safe food and maintained by food courts and restaurant owners, further harms the public image of street food and suppresses ongoing discussions on improving the legal situation of the vendor community. Public discourses on the purity and impurity of street food items often fueled by political parties also exist. They complain about the bad smell and impurities, particularly of non-vegetarian food items, launch boycotts, thereby significantly contributing to the criminalization of street vendors.

## Pilot Project Activities on Sustainable Street Food

The pilot project 'Sustainable Street Food Plan' (SSFP) is a conceptual framework for practitioners and policy makers which is based on research findings on the demand for the target group. It was initiated by local scientists and social activists during three workshops in Hyderabad (networking, sensitizing and organizing). It conceptually integrates key elements of a decentralized, low-emission food provision system with the issue of food security and livelihood improvement (Dahmen and Dittrich, 2014). It focuses on how challenges can be met to strengthen the existing street food system of Hyderabad and maintain its sustainability (Fig. 9.1). The major idea behind the SSFP is to transfer knowledge on the sustainability potential of the street food sector to relevant stakeholders. This compilation of knowledge includes research findings as well as practical suggestions on how the most persistent challenges can be met.

The following intervention areas have been identified: (a) legal certainty, which is a crucial objective in the process of restructuring and modernizing the street food system; (b) food safety, referring to conditions and practices that preserve the quality of food to prevent contamination and food-borne diseases; this definition must be extended as

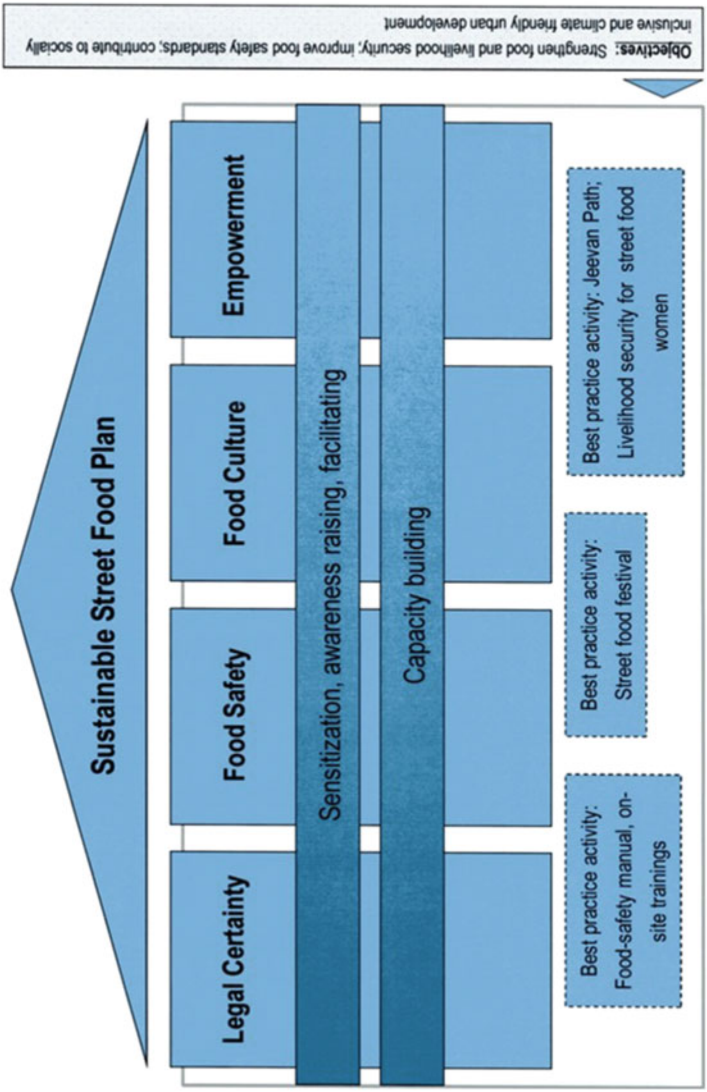


**Fig. 9.1** Conceptual frame of the 'Sustainable Street Food Plan' for Hyderabad

India's discourse on purity and impurity of food is embedded in a highly contested socio-political context. The answer to which food is safe is a product of the power structure and social inscriptions; (c) food culture, with a focus on the heritage linked to traditional food items and recipes; (d) empowerment, which emphasizes livelihood security and advocacy for women vendors. Three best practice activities (BPAs) tested the conceptual framework in applied micro projects (Fig. 9.1).

The BPA 'Street Food Festival' highlighted street food as part of Hyderabad's rich cultural heritage. The project team organized the first street food festival in Hyderabad, with more than sixty vendors serving a large variety of food items from all over India. About 6000 visitors attended the event. As part of the capacity-building module, experts from the National Institute of Nutrition in Hyderabad (NIN) provided on-site training to vendors on food safety and hygiene.

The BPA 'Livelihood Security of Women Street Vendors' focused on empowering marginalized women. The activity pursued three objectives: (a) identifying vulnerable women street vendors (for example, single mothers or widows) and facilitating their organization in vendor associations; (b) providing knowledge, skills and training related to street food recipes, personal health and hygiene, accounting and government policies; and (c) linking the initiative to existing governmental programmes like night shelters, widow programmes and so on. This BPA aimed at grouping women street vendors to improve their livelihoods towards self-reliance in a sustainable manner. So far, more than a hundred women have participated in the programme under the umbrella of Sannihita, an NGO.

The BPA 'Street Food Safety Manual and Training', on which I would like to focus in more detail, corresponded to the food safety component but also touched on issues of the other intervention areas, for example, the legal certainty of street vendors. It targets three major challenges: (a) improvement of hygiene standards in line with the National Food and Standards Act (FSSA, 2006, amended 2011); (b) sensitizing, awareness raising and participation of vendors in capacity-building programmes (previous classroom trainings showed high dropout rates); and (c) development of educational material suitable for the day-to-day activities of the target group. The main goals were as follows:

- improve street food safety standards by awareness raising and support capacity- building measures through campaigns, education and training;
- develop and provide appropriate training material;
- enable street food vendors to consciously follow the requirements of FSSA to obtain their formal registration as small food businesses;
- enable vendor associations to provide capacity building within their community to disseminate knowledge and skills independent of government authorities;
- improve the livelihood security of street vendors in a sustainable manner.

### Manual for Food Safety Training

A street food safety manual (in English and Telugu), training tool kits and a resource book for trainers have been compiled in close cooperation with local research organizations and vendor cooperatives. They cover questions on the need for food safety, explain the causes of contamination, indicate proper ways to prepare safe street food, elaborate on the importance of personal hygiene and provide guidance on how to upgrade vending units, keep them clean and take care of the environment (Dahmen et al. 2012). This material was also used to train selected members of the vendor community to become certified street food safety trainers. These trainers act as a peer group in the community for raising awareness on food safety standards according to the FSSA. This capacity-building programme was combined with the registration of the participating petty vendor, a precondition of legal certainty.

## Capacity Building for Street Food Vendors

A six-day workshop for experienced members of the target group was conceptualized. Classroom learning and didactic concepts such as lectures, group work, peer learning, group discussions and field excursions were used to discuss and learn about different food safety issues during the daily routine. Another important topic was to enable future food safety trainers to teach with confidence using adequate teaching methods.

The next step of capacity building was to mobilize street vendors for four-day training camps. One major objective was to link the vendors' regular attendance to their registration (which in this context means legalization) in the FSSA. Apart from classroom learning, at least one day of the workshop was held on a roadside. There, challenges concerning hygienic food preparation and waste reduction were discussed so that the newly acquired knowledge and skills could be applied. In 2013 and 2014, about 60 food safety trainers and more than 300 street food vendors received training, certificates and ID cards.

## Experiences

Although food safety training plays an important role in improving the legal situation of street food vendors, it was not the most prominent topic in the target group. From the vendors' point of view, the constant harassment, for example by traffic police, and the persistent fear of being evicted and losing equipment and income were rarely connected to food safety and hygiene. Because of this perception, it was time and energy consuming to convince vendors of their advantages in attending the capacity-building measure. For this reason, the first day of training was designed to address this issue. Nevertheless, the dropout rate was about 10 per cent. However, many of the dropouts enrolled again after being convinced by the positive experiences of those who successfully completed the seminar. The mobilization of vendors to participate in capacity-building programmes was also a big challenge. Street food vendors, working ten to fourteen hours daily, feared losing income while attending full-day training. Vendors receiving their certificate also received some minor monetary compensation. Another problem has been Hyderabad's 'administrative jungle' with the typical top-down attitude of government authorities and lack of commitment to the street food system.

Major progress could be made in the following areas. The street food festival strengthened the social value of the local food culture and conveyed a more positive image of street food as an important component of urban food security. Legal certainty of street food vendors could be improved by linking capacity building concerning food safety with formal registration under the National Food Safety and Standards Act. The evaluation of the capacity-building measure pointed out that about three-quarters of certified street vendors still followed the regulations of the FSSA three months after their training. The daily turnover of certified vendors also increased significantly by about 15 per cent owing to the enhanced attractiveness of their food items, and waste production could be reduced by about 20 per cent. The strengthening of legal support remains the biggest challenge in sustaining the positive impacts of the capacity-building measures. Another positive impact has been the increasing number of petty trade vendors joining vendor cooperatives. These cooperatives provide a promising option to gain access to and work with individual vendors. Regular street food safety training will also strengthen the 'service portfolio' of the cooperatives, thereby contributing to their acceptance. These cooperatives also hold the potential to act as representative bodies for the street vendors. With an elevated degree of self-organization, the vendors' negotiating power on how to implement the street food sector in globalizing Hyderabad would also increase. For this purpose, a forum on sustainable street food in Hyderabad could be held as a potential policy measure contributing to settling disputes and formulating specific policies. The forum would consist of public officials, vendor associations and social activists. Model areas on the ward level should be identified, where street vending could become part of development and planning activities.

## Conclusion

Street food vending remains an important part of the food retail system of urban India. This well-established, decentralized, customer-oriented and income-generating food provision system offers promising potential to improve urban food security while providing nutritious, affordable and culturally accepted food items adjusted to the needs of commuters and the workforce of the urban production and service sectors. Street food selling also provides a flexible yet decent income, especially for those who do not fit in the formal economy. The new Street Vendors Act is the first promising step towards decriminalizing and legalizing the businesses and livelihoods of tens of thousands of petty trade vendors in Hyderabad. But the effective implementation of the act will depend on how genuinely the officials involved in it are interested in working for the benefit of vendors. Civil society organizations and trader associations like NASVI are moving in this direction. But the mobilization of a single street vendor to commit himself for the entire community and the building of a common identity is a burdensome task. Our experience shows that competition among street vendors for prime selling space and customers is usually very intense. The encroachment of the public urban space of street vendors also remains a challenge. The tension between street sellers and the authorities over access to and the use of public space in so-called sensitive zones has turned the street into an 'arena of politics' (Bayat 1997: 15). Moreover, the social space of street food is also contested. Although most street vendors do not live in extreme poverty and most can meet their basic needs with their income, they are being marginalized: Neither their struggle for their livelihood nor their contribution to urban food security is acknowledged. Even more, public authorities drive their vulnerability through erratic evictions and thus put into question their 'right to the city'. Street food vending also hold promise in terms of fostering ecological development. Mamidi et al. (2013) clearly revealed that only a small fraction of the environmental burden (use of water, energy consumption, waste generation, customer's mode of transport) in the city is attributable to street food businesses in comparison with restaurants and Western fast food outlets. It would seem beneficial to promote the high potential inherent in the street food system to develop capabilities and reduce vulnerabilities.

## Notes

1. The findings have been within the framework of a transdisciplinary Indo-German research project on 'Climate and energy in a complex transition process towards sustainable Hyderabad—mitigation and adaptation strategies by changing institutions, governance structures, lifestyles and consumption patterns (http://www.sustainable-hyderabad.de) (last accessed 27 April 2017)? For scientific background studies on different aspects of

the metropolitan food system of Hyderabad see http://www.uni-goettingen.de/de/forschungsschwerpunkte-und-projekte/209108.html (last accessed 27 April 2017).

2. Despite the unstable political situation in Hyderabad between 2010 and 2014, in the wake of the bifurcation of the state of Andhra Pradesh, the project could be completed successfully.
3. Sen's entitlement approach treats famines as socio-economic problems rather than food availability problems. The approach focuses on the set of alternative commodity bundles that can be acquired through legal channels of acquisition. Entitlement failures occur because of a lack of food but could be caused purely by distributional dynamics such as a rise in food prices, a fall in wages (affordability), a termination of state transfers, social exclusion, gender discrimination (food governance) and so on. For the critiques and counter-critique of Sen's entitlement approach, see Devereux 2001.
4. For details see http://pibmumbai.gov.in/scripts/detail.asp?releaseId=E2011IS3 (last accessed 27 April 2017).
5. As per the 2011 census, Hyderabad has an estimated 1.2 lakh street vendors, but local authorities believe that in reality, the number will not exceed 50,000, of which about one-third are mainly involved in street food vending (*The Hindu*, Hyderabad edition, 14 February 2017 and interviews with trader unions and local authorities).
6. Respondents particularly deplored the amount of bribes they are asked to pay to middlemen (equal to about a full year's salary in advance) to gain access to jobs in the formal economic sectors.
7. The Street Vendor Act (Protection of Livelihood and Regulation of Street Vending) 2014 is a landmark legislation of the Parliament of India enacted to regulate street vendors in public areas and protect their rights. The bill passed the Lok Sabha in September 2013 and the Rajya Sabha in February 2014. It received the assent of the president of India in March 2014 and came into force from 1 May 2014. The act requires vendors to obtain a licence, the formulation of town vending committees and designation of planned vending zones in cities; see also Mathur 2014.
8. *The Hindu*, Hyderabad edition, 14 February 2017.
9. *The Hindu*, Hyderabad edition, 14 February 2017.
10. Our surveys suggest that a significant proportion of street vendor earnings (between 20 and 30 per cent) are taken as bribes by the authorities or local 'mafia'.

11. For details see: http://nasvinet.org/newsite/ (last accessed 27 April 2017).
12. For a selection of the literature on this topic see Etzold 2013: 87.

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# Part III

## Innovations and Instruments in Transformation

# 10

# The Promises of New Instruments for the Promotion of Decent Work

Christoph Scherrer and Stefan Beck

## Introduction

While international trade has resulted in great affluence in some advanced capitalist countries, the ongoing liberalization of trade has not been accompanied by increases in prosperity everywhere. In many emerging market economies including plants that produce goods for export, working conditions, wages and environmental standards have deteriorated (Marx et al. 2015). Every year, the International Trade Union Confederation (ITUC) documents widespread abuses of workers' rights.

The debate about international trade and labour rights at least goes back to the beginning of the last century and led to the establishment of

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the International Labour Organization (ILO) in 1919. As of 2015, the ILO had 186 member states and had adopted 189 conventions, including eight fundamental conventions, which are part of the Declaration on Fundamental Principles and Rights at Work adopted in 1998, at the 86th International Labour Conference. The fundamental conventions are freedom of association (Convention 87); the right to organize and bargain collectively (Convention 98); and prohibitions of forced labour (Conventions 29 and 105), discrimination in employment (Conventions 100 and 111) and child labour (Conventions 138 and 182). The workers' rights covered by these core conventions are an inseparable part of human rights because they were adopted by a consensus of ILO members, ratified by most member countries, covered by United Nations (UN) covenants and several human rights declarations, and reaffirmed again and again at international summits (Salem and Rozental 2012).

While the ILO conventions have not prevented the erosion of workers' rights in many countries, it is most likely that without them the erosion would have been much more pronounced. In countries that have ratified conventions, workers' rights have become national law and are therefore in principle enforceable through the national legal systems. Furthermore, they have been frequently invoked in defence of workers' rights. The court of public opinion should not be underestimated ('boomerang effect'; Keck and Sikkink 1998). Nevertheless, given the manifold violations of workers' rights, there is an urgent need to develop mechanisms that effectively protect labour rights throughout the world. One way would be to strengthen the enforcement mechanisms of the ILO (e.g. Hepple 2006). Another would be to look for instruments beyond the ILO. The international labour movement and labour-friendly non-governmental organizations (NGOs) have reacted to the ILO's limited effectiveness in dealing with labour rights abuses in the context of a rapidly globalizing economy by pursuing many different strategies.

In this chapter, we want to provide an overview of some of these initiatives and assess, on the basis of secondary sources, their contribution to improving working conditions throughout global production networks. We start out with the long-standing demand for a so-called social clause, that is, a labour rights provision to be embodied in the World Trade Organization (WTO) and more recently in bilateral trade agreements. The Trans-Pacific Partnership (TPP), initiated by the heads of the participating countries in October 2015, contains such a clause. We move on to assess the following instruments for the improvement of working conditions: public procurement policies, global framework agreements between global union federations and transnational corporations, codes of conduct of corporations and civil society initiatives such as social labels. We also look at the recently pronounced UN Guiding Principles on Business and Human Rights, which call on companies to adopt human rights due diligence processes. Finally, we take a look at the very recent G7-supported German initiatives for 'responsible supply chains', including a 'Vision Zero Fund' for occupational safety.

## Labour Chapters in Trade Agreements

### Multilateral or Bilateral Trade Agreements

There have been several initiatives to bring labour standards into the WTO. At the 1996 Singapore Ministerial Conference, the USA and some other developed countries advocated a 'Social Clause', but after heated debates and the resistance of mostly developing countries, which saw it as protectionist measure, it was defeated. In the Ministerial Declaration, the member states agreed that core labour standards are recognized but should not be brought into the WTO. It was decided that while the WTO would oversee regulation of trade, the ILO would be the appropriate body to address labour issues. Another attempt followed at the Seattle Ministerial Meeting in 1999, but the meeting ended before any agreement was reached (Brown 2000; Turnell 2001). Until today, the WTO itself does not deal with labour issues; it only cooperates with the ILO in a non-binding way.

In contrast to the WTO treaties, many recently concluded bilateral trade and investment agreements include labour provisions. In particular, since the adoption of the North American Free Trade Agreement (NAFTA) and the attached North American Agreement on Labour Cooperation (NAALC), the number of trade agreements including labour provisions increased significantly. In June 2013, out of 248 trade agreements in force and notified to the WTO, 58 contained labour provisions (IILS 2015: 20).

In particular, in the Americas, Europe and Africa, the majority of ILO member countries are party to at least one free trade agreement that contains labour provisions. Overall, about 60 per cent of all ILO member countries with their trade agreements notified to the WTO are party to at least one agreement containing labour provisions (ibid.: 21).

While the General Agreement on Tariffs and Trade's (GATT) compatibility with these labour provisions has not been tested in a dispute settlement procedure, a legal assessment by Claudia Hofman and Andreas Hän lein (2012) came to the conclusion that even within the GATT rules, there is room for a labour rights clause in bi- or plurilateral free trade agreements. However, as they point out, the avoidance of a violation of GATT principles depends on the concrete design of the particular labour rights clause. 'Weak' social clauses, which lack binding quality and enforcement mechanisms, are less likely to collide with GATT principles. Depending again on the wording and content, labour rights clauses with stronger enforcement mechanisms could potentially violate the principle of most favoured nation treatment (Art. I:1 GATT) or the prohibition of quantitative restriction (Art. XI:1 GATT). Hofman and Hänlein argue that, because core labour rights are part of a common international consensus of values, Art. XX (a) GATT (measures necessary to protect public morals) can be invoked for sanctions in response to violations of these rights. Article XX (b) GATT (measures to protect human life or health) covers measures with regard to the prohibition of child or forced labour. Its coverage of collective bargaining or non-discrimination aspects may be disputed. The opening clause of Art. XX GATT (the so-called 'chapeau') allows for the pursuit of legitimate national aims under certain conditions. The particular measure must not result in an unjustifiable or arbitrary discrimination, and the measure must not lead to a disguised restriction of international trade (Hofman and Hänlein 2012: 132).

## Promotional or Conditional Labour Clauses

The current labour provisions in bilateral trade agreements vary widely in scope and content. The most basic difference is whether they are only promotional or also conditional (Anuradha and Dutta 2012: 32):

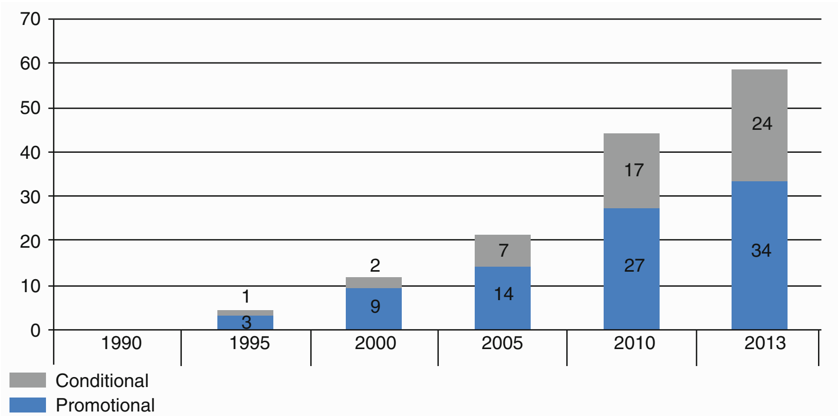


**Fig. 10.1** Increase in number of labour provisions in bilateral and regional trade agreements, 1990–2013 (*Source*: IILS 2015: 19)

- *Promotional elements*: These focus mainly on supervision or capacity-building provisions in relation to labour;
- *Conditional elements*: These are linked to economic consequences, in the form of legally enforceable provisions accompanied by incentives, sanction mechanisms and dialogue and monitoring.

Figure 10.1 shows that the majority of free trade agreements that include labour provisions still rely on promotional elements. In the last decade, however, the number of agreements that also include conditional elements has increased progressively.

The NAFTA–NAALC agreement is by far the most extensively assessed agreement. While the NAALC is the most elaborate agreement, several studies rated it as ineffective (Bourgeois et al. 2007: 45–51). In particular, the effects of NAALC decreased significantly after 2000. Not only had the number of cross-border cooperative activities decreased but the outcomes of submissions to the national administrative office (NAO) of the USA and Mexico had decreased as well. More and more cases have been declared inadmissible, withdrawn or stalled in the review or consultation phase (IILS 2015: 47, 80). Furthermore, several studies assessing the impact of NAFTA on workers came to the conclusion that the USA and Mexico recorded job and wage losses and witnessed increased inequality after 1993 (Weisbrot et al. 2014; Raza et al. 2014).

In the pursuit of a labour rights clause in bilateral trade agreements, the USA suffers from a legitimacy deficit because it did not ratify most of the core conventions (Anuradha and Dutta 2012). But the European Union (EU) does not display a coherent stance on labour rights either (Velluti 2015). In addition, its current economic governance is in conflict with fundamental labour rights (Hendrick and Pecinovsky 2015).

A study by Anuradha and Dutta (2012) compares the trade agreements of the USA and the EU. Both approaches differ in several ways. The US agreements contain stricter dispute settlement enforcement provisions, whereas the EU prefers consultations. Labour rights in the US agreements refer to ILO conventions only in the more recent agreements; most of them refer to rights mentioned in the US domestic labour law for the aforementioned reason of not having ratified a number of core ILO conventions (Anuradha and Dutta 2012; for a comparison of the various labour chapters, see also Lukas and Steinkellner 2010, Zimmer 2012 and IILS 2015).

The US–Cambodia Textile Agreement is frequently mentioned as a more effective instrument for the protection of workers. It came into force in 1999 after the GATT Multi Fibre Arrangement had expired and lasted until 2005. Its innovative features include 'the alignment of government and business interests through the use of positive incentives: verified compliance with labour standards was rewarded with increased export quotas' (Anuradha and Dutta 2012). The ILO monitored compliance, the precondition for obtaining an export licence. As a result, labour conditions improved. Employment, wages and exports increased (Wells 2006; Robertson 2011), and even after the global financial crisis, compliance slipped only marginally (Brown et al. 2012).

Compared to the US agreements, the EU labour chapters refer to ILO conventions, prefer consultation to enforcement and sanctions, and emphasize social development objectives such as gender equality and health within a cooperative framework. A 'soft' form of dispute settlement was implemented for the first time in the 2008 EU agreement with Caribbean countries (CARIFORUM), but 'compensation or trade remedies [may not] be invoked against a Party's wishes'. (Anuradha and

Dutta 2012: 23). Consultations and monitoring—eventually with the participation of stakeholders and the ILO—still have priority. In the 2011 EU–Korea Free Trade Agreement, again, there is no resort to dispute settlement; disputes are to be resolved by a panel of experts (ibid. 24).

The differences between the EU and the USA have also come to the fore in the most recently concluded trade agreements with Vietnam (August and October of 2015). While the labour chapter in the not-yet-ratified EU–Vietnam trade agreement emphasizes workers' rights, the binding side-letter to the not-yet-ratified TPP agreement is much more stringent. The USA won from the one-party state of Vietnam the assurance to ratify ILO conventions on freedom of association and the right to collective bargaining. Within seven years, Vietnam must create the legal framework for independent trade unions. If Vietnam's government does not comply with this obligation, the USA can suspend trade privileges (Schweisshelm 2015).

## Public Procurement

In recent years, an old method for promoting good labour standards, public procurement, has been rediscovered (McCrudden 2007). Public authorities at all levels of the EU spend about one-fifth of the total EU gross domestic product. This represents significant market power, which can be strategically employed for social purposes. Already in 1949, the ILO adopted a specific convention on 'Labour Clauses in Public Contracts' (Convention 94). It stipulates that workers hired in contracting companies must not receive less favourable conditions than those laid down in appropriate collective agreements or other forms of pay regulation. However, only a limited number of countries have ratified this convention (in 2015: 63 countries, ILO Normlex).

The use of public procurement in pursuing social aims is not limited by the disciplines of the WTO. While the General Agreement on Trade in Services (GATS) mandates negotiations on government procurement and services, these negotiations have not yet yielded any results. Only countries that are party to the plurilateral Agreement on Government Procurement (GPA) may be subject to the disciplines of that agreement for the sectors they have listed in the annexes of their GPA. Public authorities in the EU, however, are bound to the rules on competition. These rules as interpreted by the European Court of Justice limit public procurement conditionality on pay (Schulten 2012). Nevertheless, a whole range of other social conditions are permissible according to Art. 26 of the EU Directive of 2004. In 2010, the European Commission even published a long list of possible requirements for socially responsible public procurement. This list covers the ILO core conventions and some additional conventions and includes explicitly ethical trade issues in tender specifications (ibid.: 6). In Germany, many states (Länder) have adopted ecological and social criteria for their procurement policies. The pattern of adoption reveals the political contestations around social conditionality. Wherever the explicitly pro-business party, the Free Democrats, was part of the ruling coalition, requests for conditionality were rejected (Sack and Sarter 2015).

In the case of the procurement of goods, the social or ecological criteria in the tendering process have to be strictly product- and not supplier-related. It is not sufficient to show that the supplying company violates labour rights or standards. It must be demonstrated that the offered product was produced under conditions that violated ecological or social criteria. Provider-related codes of conduct or certifications are not enough; the certifications must be product-specific (CorA 2010; Beck 2013).

These hurdles and the political contestations raise the question of how effective the social conditionality of public procurement has been so far. To our knowledge, little research has been done on the impact of such conditionality. A research team at the University of Lausanne recently carried out a large-scale study on the effects of the International Finance Corporation's (IFC) Performance Standards, which include workers' rights. Their findings show that the impact of these standards on the IFC-inclined business behaviour towards labour was 'marginal at best' (Cradden et al. 2015: 2). The more striking finding was that almost all workers interviewed had been unaware of their employer's commitment to uphold the IFC performance standards (ibid.).

## Global Framework Agreements Between TNCs and GUFs

Given the obstacles for including effective social chapters in international trade agreements, global union federations (GUFs) have pursued agreements with transnational corporations (TNCs), the so-called Global Framework Agreements (Müller et al. 2008). The rationale for these agreements is twofold: on the one hand, transnational corporations control much of world trade and occupy a powerful position within global production networks. Thus, they are a potentially powerful actor for enforcing labour rights throughout the production networks. On the other hand, who is best positioned to monitor a company's behaviour and to present the interests of those whose rights are violated but trade unions? These framework agreements usually include: *(a)* mutual recognition of actors on both sides, *(b)* reference to all or to some of the ILO core conventions and some additional ILO conventions (i.e. working time), *(c)* processes of conflict resolution and *(d)* the specific organizational domain to which they apply. In 2014, 103 global framework agreements were considered to be active (Fichter 2014).

A research team headed by Mike Fichter from the Free University of Berlin has conducted extensive case studies on the effectiveness of Global Framework Agreements. They identified a number of cases in countries such as Brazil, India, Turkey and the USA where local trade unionists were able to make effective use of such a framework agreement to redress the violations of their rights (Fichter and Helfen 2011; Fichter et al. 2013). This involved agreements signed by GUFs such as BWI, IndustriALL and UNI. However, in many cases, local trade unions in dispute with local management were not aware of the existence of such agreements or were unable to link their strategies to the avenues made available by the agreements. On the basis of their findings, Fichter and Stevis recommended *(a)* involving local actors from the initiation to the information implementation of the framework agreement, *(b)* developing proactive approaches, especially for countries not familiar with the European social dialogue, *(c)* communicating and practising their framework agreements as a joint management and labour instrument accompanied by training practices for local management and workers representatives, and (d) integrating the agreements' principles into the procedures of the contracting TNC (Fichter and Stevis 2013: 41–2).

## Corporate and NGO Initiatives for Labour Standards

In recent decades, a variety of civil society initiatives concerning environmental or social standards have emerged. Those initiatives are not necessarily linked to trade agreements and related enforcement mechanisms (if there are any) but rather to trying to monitor and improve standards along global value chains.

The most common approaches are the formulation of *codes of conduct* by individual companies or business associations, *corporate social responsibility* programmes, the provision of *certificates* or *labels* by commercial or non-profit organizations, and *campaigns* organized by networks and organizations, including, trade unions, research organizations, human rights organizations, or consumers.

Comparing 'business-driven' codes of conduct and certificates and the initiatives of NGOs or networks, it is not difficult to see that motives differ. Companies use those instruments to save or restore consumer confidence, i.e. their market share, whereas NGOs try to improve working conditions and development opportunities. Social labels and codes demand significantly higher standards but also limit the managerial power of control. They need, therefore, public attention and support to convince or put pressure on management, and they have to pursue cooperative approaches (unions, workers, management, networks). As seen in some cases of the Clean Clothes Campaign (CCC), this can feed different interpretations, interests and reduce the efficacy of the initiative.

### Business-Driven Codes of Conduct

The development and formulation of codes of conduct can be seen as a reaction of companies to the discovery and publication of labour rights violations. The codes of conduct are supposed to signal that the company intends to adhere to certain environmental, social or human rights standards. In most cases, subcontractors and suppliers are asked to adopt the code of conduct of the lead company. In some cases, several companies of the same branch have teamed up to develop a common code of conduct. One example is the Electronic Industry Citizenship Coalition (EICC), launched in 2004 by eight companies. Today, the EICC comprises more than 100 electronics companies, and in 2015, version 5.0 of its code of conduct went into effect (www.eiccoalition.org).

However, several incidents in the last few years, for example, related to Apple and Foxconn (China Labor Watch 2012; SACOM and MakeITfair 2012; SOMO 2012), both members of the EICC, have shown that codes of conduct like the EICC code cannot guarantee compliance with high labour standards. The standards of the EICC code of conduct itself as well as of the monitoring and auditing process are still not sufficient. The code only refers to the ILO Declaration on Fundamental Principles and Rights at Work and National Law, but not to the ILO core conventions. In particular, in countries with insufficient or restrictive labour laws and controlled or weak unions, freedom of association and collective bargaining are not sufficiently ensured (SOMO 2012). The code also refers to local minimum wages but not to living wages. Furthermore, the code only mentions next-tier suppliers and does not cover the whole supply chain.

As investigations and interviews with workers have shown, in practice, the monitoring and auditing processes are often not what they look like on paper. As a part of the management system, monitoring is largely based on self-evaluation and controlled by the company. In the past, the participation of suppliers in the monitoring process was rather low and controls took place randomly and were often superficial. Likewise, a review of audits revealed several shortcomings, in particular concerning freedom of association and collective bargaining. Companies often treated union rights as less important or they were neglected in the audit (Barrientos and Smith 2007; China Labor Watch 2012; SOMO 2012).

Overall, the governance gap left by governments and intergovernmental agencies has not been closed by private codes. The confusing amount of various standards 'offers businesses the opportunity to choose the stringency level of standards and audits' (Pekdemir et al. 2015). As Richard Locke has persuasively argued, private codes of conduct, to be effective, need support from public authorities (2013).

## Consumer-Driven Codes of Conduct

Besides these rather 'business-driven' codes of conduct and labelling programmes, there are also 'consumer-driven' codes of conduct and labelling programmes provided by NGOs or civil society networks. The main goals of those initiatives are the promotion of Fair Trade, workers' rights and improvement of working and social conditions.

One of the best known initiatives, the CCC, is an alliance of European organizations, including NGOs and unions, cooperating with similar organizations and campaigns worldwide (http://www.cleanclothes.org). The campaign promotes labour standards based on the ILO conventions, the ILO Declaration of Fundamental Principles and Rights at Work, and on Art. 23 of the Universal Declaration on Human Rights. Furthermore, it seeks to empower workers by taking seriously their right to be informed and eventually be educated about their rights and by their entitlement to organize themselves and be involved in cases of rights violations.

Brand name companies should adopt a code of conduct that follows the CCC model and should promote it throughout the production chain. Implementation and verification of the code of conduct should be done with the participation of multi-stakeholder initiatives. Companies should sign international framework agreements to facilitate social dialogue with trade unions. Trade unions are especially important at the local level for these campaigns (Merk 2009: 608). Besides the implementation and verification activities, CCC launches public campaigns and appeals, which are documented in annual reports.

The CCC's decentralized and participative approach, however, has its own difficulties. Local projects are very heterogeneous. Working conditions, the willingness of companies to implement and to comply with the code of conduct, the composition and participation of multi-stakeholder initiatives and other actors, and labour laws can differ. As a consequence, implementation and verification processes, as well as success, also vary. CCC has, therefore, started to target state actors (Kryst 2012).

Another approach is the use of Fair Trade labels to improve working and social conditions. Under the umbrella of Fairtrade International, a couple of national Fair Trade organizations merchandise fair trade products and provide the seal in their countries. The basic principles and Fair Trade standards, however, are developed by Fairtrade International. Seen as an alternative to conventional trade, the concept of Fair Trade is designed to improve the terms of trade, address power imbalances and offer better trading conditions to marginalized producers and workers. Fair Trade is meant to provide minimum prices, decent wages and a premium to use to improve social, economic and environmental conditions (http://www.fairtrade.net). The Fairtrade Standard for Hired Labour is based on the ILO core conventions.

Fair Trade is overwhelmingly seen as an alternative trade and development initiative, and its impact on labour standards is rather treated as secondary. However, there is no proof that the higher Fair Trade labour standards endanger the success of the initiative because of higher entry barriers, and second, there is no proof that the programmes to empower workers are a threat to organized labour (Davenport and Low 2012; Raynolds 2012). The initiative not only sets higher and more elaborate standards but also provides detailed guidance on how to apply and interpret them. In contrast to the CCC, the Fair Trade initiative also provides a coherent set of standards and application rules.

## Multi-stakeholder Initiatives: Bangladesh Accord

The combination of labour-driven and consumer-driven (see the following section) initiatives holds some promise for enforcing labour rights. A case in point is the Accord for Fire and Building Safety in Bangladesh (the Accord). This Accord was signed in the aftermath of the Rana Plaza disaster of 24 April 2013 when a building complex for garment factories collapsed, leaving more than a thousand workers dead and more than two thousand injured. Signatories to this Accord include over 180 retailers and brands from 20 countries from around the world and IndustriAll Global

Union and UNI Global. It is a legally binding agreement which obligates companies to pay an annual fee of up to $500,000 per year for five years. The money is supposed to be spent on safety training, inspections and for structural repairs on buildings. The steering committee consists of representatives chosen by the trade unions and companies in equal representation, plus a representative of the ILO as a neutral chair. Representatives of the government of Bangladesh and of labour-oriented NGOs are among the members of the advisory board (Accord 2013).

The Rana Plaza disaster demonstrated the ineffectiveness of social auditing programmes. The Business Social Compliance Initiative had audited and certified some of the factories in the Rana Plaza complex. While the shock of the disaster certainly facilitated the signing of the Accord by retailers and brand companies, the driving forces were the Global Union Federations and the protagonists of consumer-driven codes of conduct, that is, the CCC and the Workers' Rights Consortium. The trade unions were able to make use of their previously established contacts with the giant brand companies through Global Framework Agreements and their negotiating skills. The NGOs contributed their campaigning skills targeted at the reputation of the brand companies. As Reinecke and Donaghey have shown, the synergies and complementarities between these actors brought about the Accord. Of course, the cooperation was not always without tension: 'At . . . times, aggressive campaigning against the brands with whom unions were in negotiations was perceived as hindering the dialogue' (Reinecke and Donaghey 2015).

It is a bit too early to make the final judgement on the impact of the Accord. An in-depth evaluation of the impact of the Accord in the first half of 2015 arrived at mixed conclusions. Working conditions in the second-tier factories, the factories that supply to the signatory companies of the Accord, have somewhat improved, especially in the area of occupational safety and health. However, despite a clear commitment in the Accord, the signatory companies did not offer funds to these second-tier suppliers to implement expensive measures to make the buildings and workplaces safer. In addition, the focus on health and safety left other aspects of the labour conditions untouched such as low pay, long working hours and especially issues of workers' collective action, that is, freedom of association and collective bargaining (Khan and Wichterich 2015).

## The UN Guiding Principles on Business and Human Rights

In 2011, the UN Human Rights Council adopted unanimously the Guiding Principles on Business and Human Rights, which were prepared under the leadership of John Ruggie as special representative of the UN Secretary General on Business and Human Rights. The Guiding Principles consist of three pillars. The first one highlights the primary responsibility of states to protect human rights. The second pillar covers corporate responsibility to respect human rights (with an explicit reference to ILO core labour rights), and the third pillar calls for access to remedies if governments do not observe their duty to protect human rights. These guiding principles are international soft law and so lack sanctioning power. However, given the broad consensus behind them, they provide legitimacy to more comprehensive action by governments and businesses in the protection of human rights. UN member states have committed themselves to develop so-called national action plans for the implementation of the guidelines (Grabosch and Scheper 2015). The Leaders' Declaration of the G7 summit held in Germany in 2015 highlighted the support of G7 nations for the UN Guiding Principles and welcomed the efforts to set up substantive national action plans (G7 Declaration 2015).

The specific novelty of the guidelines pertains to extending the responsibility to respect human rights to corporations. Companies are asked to practice due diligence in handling human rights risks in their own responsibility, going beyond the respect of national laws. The companies are called upon to take proactive steps to clarify and understand how their activities may impact the human rights of stakeholders. Thereby, the Guiding Principles break new legal and political ground. It is therefore not surprising that many issues are yet to be clarified: the distinction between duty and responsibility, the instruments available for the integration of human rights into business procedures, and the degree of involvement of people affected by corporate activities. Companies are prepared to take responsibility but try to avoid any duties for the protection of human rights throughout their production networks. Many companies consider it impossible to monitor their subcontractors' subcontractors.

A number of software solutions are available for businesses to integrate human rights issues into their decision-making processes. However, as Brigitte Hamm and Christian Scheper point out, owing to standardized procedures for human rights assessments focus too much on compliance with statutory standards (such as minimum wage laws, which in some countries might be below the poverty line), neglect possibilities for social upgrading and avoid engagement with those whose human rights might be violated. Hamm and Scheper, therefore, recommend that companies invite civil society actors in devising context-specific, stakeholder-inclusive human rights impact assessments (Hamm and Scheper 2012).

In a recent policy paper, Robert Grabosch and Christian Scheper (2015) argue that governments can in many ways support corporations to effectively respect human rights throughout their production systems. Even more desirable than individual national initiatives would be the development of an international legal framework on the basis of the Guiding Principles for combating workers' rights violations (for such a proposal, see Lukas 2012).

## Decent Work Progress Endangered by Investment Treaties

The recent G7 declaration on sustainability in global value chains is an encouraging signal for all advocates of better working conditions around the world. However, the same G7 heads of state are committed to the further liberalization of world trade and are currently negotiating a number of new trade and investment agreements, such as the TPP, the Transatlantic Trade and Investment Partnership (TTIP) and the Trade in Services Agreement (TiSA). While these agreements may feature a labour chapter, they are very likely to increase competition and to strengthen the rights of investors. Both trends will undercut any gain in the enforcement of core labour rights.

Because most tariffs are already quite low, the new trade agreements mainly aim at reducing so-called non-tariff barriers. While tariffs on goods crossing borders have been imposed with an eye on foreign competition, most of the non-tariff barriers are the laws and regulations 'constructed over decades of struggle by labour and social movements to protect the collective political, economic and social rights of working people' (IUF 2014). The negotiators especially target public ownership and public provision of services as barriers to the free flow of goods, services and investments. Public-sector unions and their members are most directly in the focus of the new trade agreements. Opening up the public sector for private competition and lowering the threshold for open competitive bidding in the public procurement market (Fritz 2014) will lead to further privatizations, which on average have undermined collective bargaining in fields previously covered by the public sector. Employees with few qualifications will particularly suffer income losses and harsher working conditions (Schmelzer-Roldán 2014: 21–36).

The new agreements are very much investment agreements which facilitate cross-border investment and thereby also increase the discretionary powers of management to allocate work across borders. The negotiators also want to grant corporations the right to sue states for compensation in case new laws or regulations lower future profits. This so-called investor-to-state dispute settlement process will sidetrack the normal legal procedures as it will establish arbitration courts run by the business community. The investor-to-state dispute settlement process in particular will limit policy space since municipalities or higher levels of the state will face costly lawsuits and high claims for compensation in ad hoc arbitration courts outside the normal legal processes in case they decide on new regulations protecting workers, consumers and the environment (Eberhardt 2014). The introduction of a minimum wage or raising the one already in place could trigger such lawsuits by foreign investors (or the foreign subsidiaries of domestic investors) on the grounds that the resulting higher wage bill will lower their profit expectations. The same may hold true for providing workers with more rights or better protection at the workplace (Compa 2014).

## Summary

We end this chapter with a brief assessment of the presented instruments for the promotion of decent work.

The WTO has refused to lend its dispute settlement process to the enforcement of international labour rights. However, labour chapters in bilateral trade agreements are compatible with WTO rules under certain circumstances. In recent years, many of those agreements feature such a chapter. Some chapters are promotional, some even conditional. The effectiveness of the conditional labour chapters are somewhat higher but far from perfect because the process leading up to sanctions is highly political. Most effective are subsidies for one-time investments to bring factories into compliance in order to overcome management's uncertainty about the benefits of better working conditions.

The use of *public procurement* to pursue social aims is permissible under certain conditions in Europe (and especially for those states not members of the GPA). However, there is little awareness of its potentials and even less among workers of such requirements for their employers supplying the public sector or publicly funded projects.

*Global framework agreements* between GUFs and TNCs have been used successfully in some instances to redress violations of workers' rights at subsidiaries and first-tier suppliers. However, in many cases, local trade unions in dispute with local management are not aware of the existence of such agreements or unable to link their strategies to the avenues made available by the agreements. Therefore, local actors have to be involved from the start in the negotiation and implementation of the framework agreements.

In response to negative publicity, many private companies voluntarily adopted *codes of conduct*. In practice, however, most monitoring and auditing processes fall short of the codes' promises. The departments for corporate social responsibility are clearly subordinated to the purchasing departments. Without legal enforcement, the codes are at best reminders about good behaviour, at worst they amount to whitewash. In comparison to these business-driven codes, *consumer-driven* codes demand significantly higher standards and also limit managerial discretion. They need, therefore, public attention and support to pressurize management.

The combination of labour-driven and consumer-driven mechanisms for the protection of workers holds some promise for enforcing labour rights. The best example is the Accord for Fire and Building Safety in Bangladesh. Over 180 retailers and brands and GUFs signed a legally binding agreement which obligates the company to pay an annual fee of up to $500,000 per year for five years for safety training, inspections and structural repairs on buildings. Until mid-2015, the working conditions in second-tier factories have improved in the area of occupational safety and health. However, funds were not provided for the more expensive measures of making buildings safer. The situation concerning pay, overtime and collective bargaining did not improve.

The UN Guiding Principles on Business and Human Rights cover also corporate responsibility to respect human rights. Companies are asked to practice due diligence in handling human rights risks within their own sphere of influence, going beyond the respect of national laws. Since the Guiding Principles break new legal ground, many issues are yet to be clarified. However, governments can translate these principles into national law and thereby provide clear guidance for corporations to effectively respect human rights throughout their production systems.

In sum, so far none of the many initiatives seem to be particularly effective. Global framework agreements seem to be quite effective as long as local actors are involved right from the start. The UN Guiding Principles hold some promise if governments are willing to support and pressure companies to implement them. The same holds true of the social conditionality of public procurement. Most promising remains trade conditionality. However, if only a rather weak social chapter in a trade agreement is politically achievable, it risks justifying trade liberalization measures and the strengthening of investors' rights, which will undercut the bargaining strength of labour. It is, therefore, not sufficient to discuss specific instruments for the promotion of labour rights along value chains; one also needs to address the general governance of international trade and investments.

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# 11

# Microcredits, Returns and Gender: Of Reliable Poor Women and Financial Inclusion in South Asia

Christa Wichterich

## Introduction

Microcredit as a universal anti-poverty instrument of development policy went through boom and bust, yet the microfinance industry continues its business practices, much like the ‘recovery’ hailed by the wider financial markets in the wake of the subprime crisis (Puhazhendhi 2013). Behind the industry’s rapid growth and crash lies the commercialization of lending, predominantly to poor women. In development policy circles, the neoliberal consensus that microfinance products are an effective and proven means of reducing poverty has been modified in the aftermath of crisis and criticism, but it certainly has not been abandoned.

In this essay, I seek to explore the way microloans operate as gendered instruments at the interface between the microfinance industry, public policy and social reproduction. It centres on the received narrative of women’s reliability with regard to financial obligations and stronger

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repayment discipline compared to men. This assumption underpins the emergence and expansion of the microcredit sector, in particular commercial lending, along with the pursuit of a development strategy that considers the empowerment of women as the means to reduce poverty. In the countries of the Global South from North Africa to former Soviet states, the narrative legitimized the tailoring of such lending to women and the targeting of women as a favoured group (D'Espallier et al. 2011). Already in 2006 more than 83 per cent of the 'poorest' microcredit clients worldwide were women (ILO 2007), in Bangladesh 98 per cent were, and in Kyrgyzstan 75 per cent were.

Microfinance in its multidimensionality as a political, economic and social instrument can best be grasped as an interface between four cross-cutting and intertwined power relationships, each with its own dynamic: *(a)* neoliberal policy, *(b)* global financial market regime, *(c)* cycles of production and social reproduction and *(d)* gender order. Shaped by these regimes of power, microcredit is inscribed by the categories of social inequality: class/caste, race/ethnicity, gender and colonialism/North–South divide. By taking an intersectional approach, we can analyse the connection between material structures, discourses and subjectivities. I shall trace the turbulent history of microfinance in the case of India and explore the linkages between development cooperation strategy, financial services industry, the Indian government and women borrowers.

## The Microfinance Boom

The microfinance sector can be viewed as a political–industrial complex that has been the commercial driving force behind the financial inclusion of the poor since the 1990s. This policy of market inclusion is legitimized in the development community as a method for alleviating poverty. After the failure of structural adjustment measures regarding poverty eradication, the World Bank and other development agencies shifted their strategic focus in the 2000s, now arguing for 'pro-poor' and 'inclusive' growth. This was declared the formula for success, in contrast to the trickle-down methods of the past. Central to this approach is the mechanism of market inclusion of social groups who had previously been excluded, marginalized and discriminated. In the context of globalization, this inclusion primarily means inclusion in transnational value chains of production, distribution, reproduction and consumption. Within a framework of good governance, states were now given the task of facilitating access by the poor to markets and resources and of linking poverty reduction to the promotion of private-sector initiatives and the macroeconomic objective of market expansion. Doug Porter and David Craig (2004: 411) came up with the term 'inclusive liberalism' for these efforts to include the poor, the economically weak, 'vulnerable groups' and women. Financial inclusion forms part of this integration strategy, with microcredit schemes serving as an important tool 'for integrating the deserving poor into the market' (Lavinas 2013: 6, 36).

With the emergence of the microfinance industry, institutional foundations were laid down to integrate the poor within the financial value chain through credit and interest. They could now become part of a new accumulation model that operated on a global scale as the capitalist market brought informal financial transfers, informal modes of production and social forms of reproduction into its mechanisms of valorization (Harvey 2003; Hartsock 2006). This first required a liberalization of the financial services sector and government authorization of microcredit institutions. Yet in practice, regulatory authorities remained weak and the framework of control rudimentary. The first commercial microcredit bank was set up as long ago as 1992, when BancoSol was founded in Bolivia (Bateman 2010: 118ff). Microfinance institutions (MFIs) are specialized in providing a limited range of financial services for people without access to formal banking. Dependent on borrowed capital for their refinancing, MFIs are recapitalized by private and state-owned banks and by microfinance funds, numbering around a hundred worldwide. The important role of mediating between the MFIs and the capital markets is played by various development organizations, first and foremost the World Bank-linked Consultative Group to Assist the Poor (CGAP) and Germany's Kreditanstalt für Wiederaufbau (KfW), the world's largest investor in microfinance. Since its foundation in 1995, the CGAP—with its 34 member organizations, including Citibank and Master Card Foundation, United Nations (UN) agencies, the Indian government, the European Commission and the KfW Group—has acted as midwife to microfinance institutions and commercialized microlending and has helped harmonize donors in the microfinance sector.

KfW Group, whose motto is ‘responsible banking’, has key competence in securitizing the MFIs’ receivables and guaranteeing bonds. The bank provides a risk transfer mechanism in which the German taxpayer is ultimately liable in the event of loan default. Moreover, KfW promotes the commercialization of the microcredit sector by seeking to transform development non-governmental organizations (NGOs) engaged in non-profit microlending to ‘proper financial institutions’ (Klas 2011: 40–51).

The central mechanism of commercial lending works on the following lines. An MFI borrows the necessary capital at an average rate of interest of 6–12 per cent from banks and investors and then lends the money to poor women, with interest and charges amounting to as much as 40 per cent. The MFIs justify the high costs of a small loan by pointing to the high transaction costs of labour-intensive lending and debt collection in villages. What we have here is a financial cycle that locks women in the Global South and East into global financial markets through a credit–debt chain. And this development occurred precisely in tandem with the advance of a finance-dominated regime of accumulation in the Global South and East.

Moreover, the prospect of high yields on financial markets from the late 1990s triggered a boom in investment opportunities in the form of microfinance investment vehicles (MIVs) set up by the banks (Deutsche Bank Research and Dieckmann 2007). Analogous to the success story being told in development policy circles, the microfinance industry constructed a myth according to which, owing to repayment rates as high as 95 per cent, the market would continue to enjoy secure returns and low risk as the microcredit schemes continued to roll out. Indeed, the narrative of women’s reliability as borrowers corresponds to the narrative on the financial markets of ‘trust’, a key factor behind investment decisions and expansion into new markets (Assassi 2009: 165f). Opportunities to invest in microfinance funds are offered by banks and savings banks, various ‘ethical’ financial institutions that pursue social and moral criteria along with its commercial objectives, and online lending platforms like Kiva ‘connecting online lenders to entrepreneurs’ (www.kiva.org).

Their claim is that the investor has a two-fold return: making a profit while securing an ethical bonus by helping to reduce poverty and empower the poor, especially poor women. Investments in microfinance funds are sold as an ethical, socially responsible investment (Deutsche Bank Research and Dieckmann 2007). This linkage between financial and ethical returns proved effective in driving growth in the sector and integrating the microfinance markets into the valorization mechanisms of the global financial industry.

There is little transparency in the fund market. There is no clear distinction between the interest in high returns and welfare orientations. Rather, the soft concept of 'social returns' masks the hard reality of profits enjoyed by all investors owing to high interest rates. Alongside the non-profit-oriented funds run by NGOs, foundations and churches—a field in which Oikocredit is the market leader—we find many investment products classified as 'development funds', thereby sharing the halo of philanthropy and profit neutrality; one such example is the Deutsche Bank Microcredit Development Fund (Deutsche Bank Research and Lützenkirchen 2012).

In 2006, Banco Compartamos in Mexico, known for offering annual interest rates on microcredit of over 100 per cent, became the world's first publicly listed MFI (Bateman 2010: 142–53). In 2010, SKS Microfinance in India, having achieved an average revenue growth rate of 162 per cent in previous years, was able to raise US$350 million in fresh capital with a public offering that was 14-fold oversubscribed. SKS paid its managers the highest salaries in the entire industry, plus lavish bonuses.

The microfinance industry, now with its own rating agencies, was able to record exponential growth just before the subprime mortgage crisis in 2008/9. Microfinance funds were benefitting from the flight of capital out of high-risk assets as investors sought low-risk opportunities (CGAP Brief 2012). This movement of capital led to excessive liquidity in the MFIs and was the key cause of the rapid upturn and bubble in the microcredit market.

## Constructing a Development Policy Consensus: The Grameen Bank Model

In the name of combatting poverty and empowering women, the development industry—from the World Bank to church-based aid organizations—extended lending practices which were turning small-scale village projects into billion-dollar, top-down programmes, creating attractive conditions for commercializing the microfinance industry. From the 1980s, microcredit became a central pillar of development cooperation, largely based on the concept pursued by the Grameen Bank (village bank) in Bangladesh, an institution built up by US-trained economist Muhammad Yunus (Yunus and Jolis 1998; Yunus 2007). Yunus was, of course, neither the first nor the only one to set up small-loan programmes in villages, operating outside the formal banking system and aiming at freeing poor borrowers from the clutches of local moneylenders. But his concept was coherently conceived as an anti-poverty development policy instrument that linked market inclusion to women's empowerment.

Having initially failed to get male borrowers to demonstrate sufficient repayment discipline, Yunus declared poor women 'bankable', and it was on this basis that he designed the Grameen Bank model. The Grameen Bank went into the villages, waived the usual credit guarantees and made loans to groups of women who agreed collectively to take responsibility for repaying the debt, including interest at a rate of more than 25 per cent. In this way, the security that would be needed by a normal bank is provided by group pressure to enforce women's widely praised repayment discipline. With the exception of the 1992 slump year, the bank has been able to boast long-term repayment rates of over 95 per cent (Yunus 2007).

The development policy essence of the Grameen Bank model lies in the twin-like linkage of microfinance and the concept of economic self-help through independent initiatives, known in development jargon as 'income-generating activities', and, later, small enterprises. Both micro approaches are supposed to have the macro impact of poverty reduction as millions of women lift themselves out of hardship and earn an income through self-employment.

The leverage envisaged in this model derives from a bundle of development policy assumptions that are commonly found in development programme designs. First, social groups, societies or modes of production are defined as deficient, so that 'help' can be conceived as the satisfaction of an 'unmet demand' and the eradication of identified deficiencies and shortages. The construction of unmet demand along with 'undersupply' is a common legitimatory theme in development policy, frequently found in development strategies for agriculture or family planning, where women in the Global South are constantly defined by what they supposedly lack (Wichterich 2016). These underlying development policy assumptions are then woven into market myths about women and the village economy that project a homogenous, indeed essentialist, image of women or a 'universal entrepreneurial womanhood' (Radhakrishnan 2015). One is that entrepreneurial potential lies dormant in every woman, and another is that credit will unlock this potential, enabling them—without much ado—to productively invest a loan in a small business, say for chicken breeding or a small kiosk. Market integration through gainful employment and access to money thus becomes the central development policy vehicle for women's empowerment. Second, it is assumed that all women need starting capital or seed money to move into gainful employment. Again, we have a major unmet demand. Third, there is a presumption that supply to rural markets will find a demand that stimulates economic exchange among the poor, which in turn generates an income with which women can then pay off loans and liberate themselves from poverty (Bateman 2015). Milford Bateman (2010) aptly dubs this concept 'local neoliberalism'.

The discursive crux of the project of providing loans to women with very low incomes, however, is the gender-specific notion of a strong female ethic of repayment. The social category of class and poverty intersects here with gender. For many years, the hype of the financial instrument of microcredit as a universally effective means of reducing poverty has been based on reports of repayment rates as high as 95 per cent, which were interpreted everywhere as proof of the 'success' of microcredit and of the income-generating activities of women (Mayoux 1995). The narrative of reliability as a female dispositive (*dispositif*) takes up the essentialist theorem of a female ethic of care, as formulated by the psychologist Carol Gilligan (1982). Attributing a strong ethic of responsibility to women makes them an ideal target group as lenders. The naturalized female repayment ethic works as collateral and is then to be amplified further through the collective, that is, through group pressure.

In the case of the Grameen Bank, a woman's acceptance of a loan is additionally celebrated as an exercise not only in learning developmental and financial discipline, as exemplified by the military-like ritual of the weekly group meetings, but also in performing the role of a modern woman according to the norms of the Western nuclear family, from family planning to the cleaning and tidying of the home.

Step by step, Yunus rolled out a strategic package of measures that transformed microcredit from a development concept into a business model for fighting poverty (Rogaly 1996) and emerged as the key pioneer in the commercialization of microlending. Championing a 'human right to credit', Yunus universalized the legitimatory motif of supply and demand and raised it to the status of a universal norm. He was able to meld the UN's human rights paradigm with the financial services market and thus generalize microfinancing as a global hegemonic project. He called on major private banks and investment companies to get involved in the microloan business in order to secure the refinancing of the Grameen Bank and other microfinance institutions and honour the 'human right' to credit (Hulme 2008).

He also developed what were called 'social business projects' in Bangladesh, working in collaboration with transnational corporations. Although the joint ventures established by the Grameen Bank with Nokia, Danone, Adidas, Otto and BASF were initially supposed to operate on a break-even basis only (Humberg 2011), they gave major foreign businesses—owing to the income-generating women involved—valuable access to previously untapped markets and additionally a social image for their marketing (Bateman 2010: 125). In launching microfinance as a development project that embraces banks and corporations, Yunus promoted the fusion of commercially and socially motivated practices and advanced the process of privatizing development cooperation.

The first World Summit on microcredit was held in Washington in 1997, organized jointly by development agencies and financial institutions. Owing to enthusiastic media reception, the event popularized the commercial spread of microcredit as part of a global campaign for microfinance (Singh 1997). The summit agreed on an action plan aimed at setting up microfinance funds and mobilizing over US$20 billion, a target sum that would supposedly provide small loans to the world's 100 million poorest families by the end of 2005. Since that time yearly such 'summits' have been held on various continents to roll out the campaign.

Microcredit has now been adopted by the entire development industry as a multipurpose instrument and has turned into widely applicable programmes through which a small sum of money was to free women not only from the clutches of the local loan sharks but also from patriarchal oppression—the assumption being that women could not free themselves but, once again, needed outside help from the West. Yet, in many cultures the new lending schemes actually displaced existing informal modes of saving and borrowing such as money rotation arrangements and self-administered financial transactions between women that were beyond the reach of local users. Such mechanisms, known as rotating savings and credit associations (ROSCAs), range from the 'tontines' of West Africa and 'merry-go-rounds' of East Africa and Arisan in East Java to the 'sanghams' and village savings cooperatives in South Asia (Sriram 2010a, b). They provided social spaces in which women could save in accordance with the social principles of reciprocity and solidarity and help one another, in turn, under rules agreed to by the women themselves. Loans became available here for emergency situations, costly social events, urgent purchases or large-scale outlays for agricultural or production investment. These informal saving and lending mechanisms helped sustain neighbourhood and moral economies in the tradition of the gift economy (Mauss 1990) and—for all their inadequacies—self-governed safety nets for people in poverty (Visvanathan and Yoder 2011).

The global success story that underlay the development policy consensus and the hegemonialization of the dogma of financial inclusion culminated in the UN's proclamation, in 2005, of an 'International Year of Microcredit' and in awarding of the Nobel Peace Prize to Muhammad Yunus in 2006. The commercialization of microfinance marks a shift from state-controlled to market-controlled development strategies in which market principles or, rather, private enterprise now determines objectives (Rankin 2001).

## Market Mechanisms and the Crash

The market mechanisms of growth, overheating and crisis, fuelled by the sector's rapid commercialization, were demonstrated paradigmatically in the case of the Indian state of Andhra Pradesh. After India began liberalizing its financial markets in 1991, some 3000 MFIs sprang up within just a few years, attracted by the prospect of lucrative profits from moneylending. Seeking expansion, competetiveness and efficiency, the MFIs set about systematically penetrating rural areas (Kannabiran 2005). With only 50,000 of India's 600,000 villages having access to financial services, the Indian government assigned its self-proclaimed mission of 'financial inclusion' to the MFIs in 2005 (Leeladhar 2006). In a parallel development, over the past 25 years the Indian government had been reducing its investment in small-scale agriculture and cutting subsidies. This squeezed small farming incomes, which fell by 20 per cent and left half of households heavily indebted. The ensuing corporate restructuring of small-scale agriculture led to such widespread debt that some 250,000 people, mostly men hopelessly indebted to banks or moneylenders, took their own lives (Deshpande and Shah 2010). Access to new loans became increasingly difficult for small and medium-sized farmers, while the supply of microloans to female subsistence farmers grew.

Thousands of agents, mainly male, of various MFIs swarmed out to the villages in an effort to win clients and snatch them from competitors. Incentivized by performance bonuses, they sought to persuade people to borrow larger sums than they could afford. More and more women living below the poverty line were drawn in, despite having no realistic chance of repaying their loans.

The legal arrangement consists of a loan agreement that specifies the principal, interest rate and transaction fees to be paid to the financial service provider. An MFI client could, on average, expect to pay between 30 and 35 per cent per year on a short-term loan. The MFIs are concerned only with concluding the loan agreement and securing repayment, with no regard for savings or for development-oriented and emancipatory uses of a loan (Nair 2010). Interest is collected once a week, mainly using smart cards, a modern financial services technology that can turn the agents into a 'mobile bank', registering loans and repayments on the doorstep. In this way, the MFIs systematically ousted the 'self-help' schemes run by government and NGOs (Srinivasan 2009).

The high repayment rates over many years can be explained by multiple borrowings from various MFIs and NGOs and ultimately even from a local moneylender in order to always have fresh cash to settle all debts. This problem was exacerbated by an oversupply of loans to women in villages as the practices of the competing MFIs were driven by a profit and growth orientation. Under pressure from microfinance agents, making weekly calls to collect receivables, the women were entangled in a complex system of loans and debts, juggling multiple formal and informal sources of finance. Dalit women, earlier called untouchables because of the 'unclean' labour they did, fall deepest into the debt trap because Dalit families are more indebted than non-Dalits, have fewer opportunities to use credit for self-employment or business, and lack knowledge, income and social capital, meaning the solvency to repay loans at high interest rates on a weekly basis. Therefore, the risk is high that microloans will push them even further down the spiral of indebtedness and poverty (for India: Guerin et al. 2013; for Bangladesh: Rahman 1999).

The microfinance sector began to overheat as a direct consequence of the global financial crisis. As capital flowed in from the top, a credit bubble formed at the base, which, in 2010, then triggered the collapse of repayments to MFIs in Andhra Pradesh, the region with the world's highest microcredit penetration density at that time. On financial markets, confidence in the schemes evaporated as the promised returns failed to materialize. The market leaders soon faced serious liquidity problems when it became difficult to find new capital on international financial markets. SKS Microfinance showed a net loss of US$15.7 million in March 2011, against a net profit of US$14 million one year earlier. SKS shares fell by 77 per cent.

The government of Andhra Pradesh accused the MFIs of creating a new, non-transparent system of usury and making hyper-profits from overly expensive loans that enabled private individuals to amass great wealth at the expense of women living below the poverty line. As in the subprime crisis, the large banks, including Citigroup, as well as development funds like the KfW Group, stepped in with rescue packages to help the MFIs. The Indian government then introduced some largely inconsequential regulation for the sector. After fierce lobbying by the industry, its cap on interest rates was set as high as 28 per cent (Mader 2013).

The microfinance industry then faced widespread criticism, even from leading protagonists at the World Bank and CGAP. A global loss of confidence put the brakes on growth rates, which fell sharply, from 33 per cent in 2009 to 5 per cent in 2011. However, by 2014, the industry was able to boast of a recovery and estimated annual growth of more than 15 per cent (Respons Ability 2014).

## Restructuring the Local Economy and Social Reproduction

In 2010, the myth of poverty eradication was badly shaken by the news from Andhra Pradesh that more than 50 over-indebted women had, within a short period of time, committed suicide. The MFI agents had notoriously applied coercive practices, like forcing poor women to hand over household goods instead of money and even to dismantle their houses, to obtain repayment (Klas 2011).

Since the 1990s, there had already been fierce controversy among appraising consultants and activists over the anti-poverty benefits claimed for microcredit projects (Hulme and Mosley 1996; Fernando 2006). In Bangladesh, for instance, different evaluations of the same projects arrived at widely varying conclusions about the economic impact of microloans, depending on who the commissioning party was and what methodologies were employed. Key indicators were household prosperity, as measured by consumption, children's education and health, and women's empowerment through 'income-generating activities' (Goetz and Gupta 1996; Hashemi et al. 1996; Pitt and Khandker 1998; Roodman and Mordoch 2009).

A systematic metastudy of 15,000 analyses and reports over three decades concluded that there was no evidence for substantial improvements in the poverty situation (Duvendack et al. 2011). A case in point was West Bengal where, despite a 97 per cent repayment rate, microcredit brought about an economic recovery in only 9 percent of all cases (Chatterjee 2010). What microcredit did achieve, however, was to smooth the path for financialization through successive restructuring of local economies and to force out traditional economies with socially ethical components.

A structural reduction in poverty failed to materialize for three key reasons: first, because the 'poorest of the poor', initially declared by Yunus to be his main target group, were never even reached; second, because most of the loans were invested for purposes of consumption (estimates vary between two-thirds and 90 percent, Beck and Ogden 2007; cf. Forbes 10 November 2006, cited in Bateman 2010: 137); and third, because the productive ventures in which loans were invested often generated only short-term earnings. Families in India typically use their first microloan to settle debts with local moneylenders demanding usurious interest rates of up to 100 per cent. The most frequent items of consumptive spending are medical treatment, dowry or weddings.

Where a loan is productively invested, however, the borrower's hope of building up a small local enterprise with the seed capital is by no means always well founded. The structural problems facing start-ups have often been overlooked by protagonists such as the Peruvian economist Hernando de Soto, who began advocating capitalist development from below back in the 1980s (de Soto 1986). There are, of course, some individual success stories, but microloans are not suited to the agricultural sector because the grace periods and credit terms are too short. No vegetable grows as fast as the farmer's repayment schedule. And where women start selling eggs, running a food stall, collecting medicinal herbs and the like, there is a general tendency to repeat similar ventures, leading to market overkill. They soon must deal with excess supply and face predatory competition on local markets, rather than securing a stable and sustainable livelihood (Mayoux 1995; Bateman and Chang 2012).

Where women invest their loan in a franchise business, they create a new market in the countryside for a company from the town or for a big corporation, while personally bearing all the risks on the sales side. The Grameen Bank has been busy in setting up joint ventures aimed at restructuring the local economy in line with market and corporate imperatives. In one case, the giant agri-business Monsanto offered to finance loans taken up by small-scale women farmers who had previously cultivated their own seeds. Under such an arrangement the women must buy genetically modified seeds and pesticides produced by Monsanto. Once accepted, the loan transforms a self-sufficient producer into a market consumer and gives Monsanto a new market. A joint venture with Danone was also aimed at squeezing out the existing self-sufficiency microeconomy of the household and the village, since women in Bangladesh typically produce their own yoghurt at home (Muhammad 2009).

A similar displacement effect can be seen where kiosks are established by individual lenders or small cooperative supermarkets are founded by credit groups. A credit group in Tamil Nadu, for instance, envisaged its investment in a mini-market as a step towards the sort of modern consumerism they had seen in the television advertisements showing urban middle-class women. To this end, the credit group chose to sell only 'modern' products, that is, cleanly packaged and shrink-wrapped corporate products, including bottled mineral water from Coca Cola, a company that was pumping out the groundwater under villages not far from the new supermarket run by the women's group. In the name of modernity, these budding entrepreneurs excluded from their offerings the spices, oils and herbal remedies produced by other women in the village because the local products weren't 'properly' packaged. Insofar as the self-help groups brought corporate-produced goods to the villages in competition with those of the small farmers, independent producers and street vendors, the credit-financed supermarket project acted as the vanguard of an urban, big business–centred market economy that would marginalize the village economy and now devalue the non-marketable labour of village women. Consequently, inequalities and conflicts of interest between women are exacerbated (Wichterich 2009: 142–53).

Two interlocking dynamics have unfolded here: expropriation and appropriation. Borrowing from Rosa Luxemburg and David Harvey, we can regard the displacement or capture of informal and solidarity-based forms of finance and economy by microfinance as expropriation or colonization (Keating et al. 2010). And appropriation by the financial industry means here that it penetrates modes of social reproduction that were previously outside the market. Philip Mader (2015) calls this profit-centred use of social reproduction the 'financialization of poverty'.

On the other hand, women borrowers themselves appropriate microloans for their own purposes, using them as instruments of everyday reproduction. They compensate falls in income from agriculture with the loans and fund their social reproduction at higher consumption levels. From a microeconomic perspective, credit thus operates here as a mode of reproduction. A recent study concluded that, on balance, microcredit neither benefits nor harms women's situation with regard to poverty and empowerment but—phrased in evaluation jargon—microcredit 'gives low-income households more freedom in optimizing the ways they make money, consume and invest' (Poverty Action Lab and IPA 2015: 1). In the US context, Julie Froud et al. (2007) have referred to such uses of consumer credit and mortgages as the 'financialization of everyday life', since there is a growing necessity to buy financial services to secure even the essentials of life. These financial services and products, in turn, are securitized, bundled into high-risk or speculative financial products and sold on—a practice also pursued by development-focused banks like Germany's KfW group. Due to the development strategy of microfinance, the daily mechanisms of reproduction and the global financial market have now become inextricably entwined.

## Paradoxes of Empowerment and 'Doing Gender'

As for the empowerment effects of microcredit programmes, the evaluations conducted in India, again, have produced a range of positive and negative findings, but little has been revealed about significant causalities (Snijders and Dijkstra 2011). The key criteria of empowerment are taken to be access to productive resources, decision-making power inside and outside the home, mobility, political awareness, engagement in local government and group solidarity (Mayoux 2000; Hashemi et al. 1996).

For a long time, feminist academics such as Naila Kabeer regarded microcredit, if not as a silver bullet against poverty, then certainly as an instrument of empowerment and a tool for strengthening women's self-confidence (Kabeer 2001, 2005). In India, a change took place in the narrative of the 'good woman', both in the way women perceive themselves and how women are perceived by others. A 'good woman' now became the one who brings cash to the household from the public sphere and thus improves social reproduction under conditions of poverty (Batliwala and Dhanraj 2007). Initially, many women regarded the loans and the duties placed upon them—that is, as unpaid multitasking development workers for both the village and the family—more as recognition than burden: they could say, 'Now, we really count!' Previously, such women would not have even stepped inside a bank, whereas now a 'mobile' bank runs after them in the village. For the first time they hold an ID, for the smart card confirms their status as an individual, demonstrates their participation in the modern world and acknowledges their role as market subject, as client (Kabeer 2005; Batliwala and Dhanraj 2007).

Within the Indian family, a woman's status rises when she brings in money for the dowry, which has to be paid by the bride's family, and expensive gifts, from TVs to motorcycles. Yet, the more money comes into circulation and the more people in the village become consumption oriented, the higher are the dowry expectations and the more expensive are the weddings. Thus, the loans channelled into the dowry system contribute to a further economization of social relationships. What emerges is a contradictory situation in which the loan, which is supposed to give women agency and autonomy, is used as a means to uphold a system that subjugates women to the patriarchal authority of the family. By extending market logic to the sphere of social reproduction, microcredit increasingly contributes to the economization of gender relationships.

At the micropolitical level of the household, credit can, in some cases, help women to gain decision-making agency when it comes to the family's use of money (Holvoet 2005). However, there are also plenty of cases in which the men believe they, as head of the family, should be in control of money and, sensing humiliation at not being offered a loan, compensate with violence (Goetz and Gupta 1996).

From a Bourdieusian perspective, it becomes apparent that where women gain agency and bargaining power within restrictive structures and develop new subject positions, they acquire through microcredit a symbolic and social capital that triggers irritations and ruptures in the existing gender order and, thus, instigates social change (Bourdieu 1984).

Moreover, the granting of credit to women, in Judith Butler's words, has involved a process of 're-doing gender': femininity is modernized, it procures cash, acts strategically and rationally, takes on multiple responsibilities for the family and in the village; women become entrepreneurs of their self, but always with the female care ethic of service to the community. The process of microfinancialization leads to a 'social engineering' that re-socializes and re-configures femininity: the market contracts they sign constitute them as public persons and as modern, reliable, disciplined market subjects, that is, 'rational economic women' (Rankin 2001; Keating et al. 2010).

In many cases, the women themselves outwardly assert a new group identity, expressed in the uniform saris. Through their engagement they assume 'ownership' in the project. Yet none of the evaluations on empowerment has been able to establish a strengthening of group solidarity that so many women's organizations had hoped for (Snijders and Dijkstra 2011). Rather, the group acts as a mobilizing and disciplinary organ that exerts pressure on defaulting borrowers. It pursues rational planning and strategic action as part of the drive for efficiency and capitalist time management, always geared to the objective of loan repayment. What is more, acting as a collateral for the individual borrower, the group establishes a micropolitics of repression and, at the symbolic level, a 'political economy of shame', as Lamia Karim (2011) puts it with respect to the experience in Bangladesh. Thus, from the initial notion of a solidarity-based group, the credit group now functions primarily as an organ of control, promoting not solidarity but competition around repayment. Repayment becomes a social obligation towards the peer group. Alternative forms of political organization or group formation that were once common have been replaced by what are effectively 'joint liability groups'. The women now have neither the energy nor the time for common activities or struggles against social oppression within the caste and gender hierarchy.

The concept of empowerment, at its core, has come to mean building power in order to participate in the market by taking advantage of market opportunities and market resources, including know-how and credit (Kabeer 2001: 71; Batliwala and Dhanraj 2007). The market appears as the social space that offers women a path to distributive justice and to recognition. Credit bridges the gap between the private and the public, between production and social reproduction. In this market-aligned concept for liberating poor women, development assistance becomes linked to both feminist and neoliberal objectives, thereby relieving governments in the Global South of their responsibility to take systemic anti-poverty measures. Nancy Fraser (2009) calls this conjunction of feminism and neoliberalism a 'disturbing coincidence'. Moreover, policy makers are transferring Western models of emancipation, individualized livelihood security, self-determination and personal independence on to other cultures and other modes of social reproduction.

From a Foucauldian perspective, the small loans, therefore, operate as a neoliberal technique of domination that teaches women self-governance and integrates them into the markets in the role of poverty fighters and disciplined debtors (Miller and Rose 1990; for Nepal: Rankin 2001). Microfinance presents poverty and gender inequality in a neoliberal way as something individually manageable and surmountable if women have access to the necessary market instruments and make sufficient efforts, not as a structural, economic and political problem.

This means that the feminization of borrowing and indebtedness in terms of a growing number of women and a tailored form of lending is a highly ambivalent type of empowerment, located between the axes of agency and of compulsion derived from patriarchal and market structures. Mediated by the meme of empowerment, microcredit now functions as the neoliberal assigning of individual responsibility to women, quantified in money and interest, making them *homo economicus* and *homo financialis*, while the male breadwinner model is steadily being eroded. This feminization of responsibility for reproduction contains contradictory elements: the female care ethic is affirmed yet, at the same time, appropriated by the rationality of *homo economicus* with its male connotations.

From a post-colonial perspective, microcredit appears as the cornerstone of official development policy in its mission to liberate and rescue poor women in the Global South. Development cooperation thus transforms the political project of women's empowerment into a context-free technical project (Wichterich 2016). Microcredit has become the main instrument and symbol of a modernity that is provided from the outside to the women in order to free them from a lack of rights and agency defined in terms of tradition or culture. The official development industry applies this instrument of empowerment universally, that is, wherever it pursues its mission to rescue and liberate.

By the same token, the development community uses women's rights and women's empowerment to legitimize objectives like the creation of retail markets or integration into transnational value chains. Poverty and demand for credit also feed into discourses that have legitimized the expansion of microfinance. This instrumentalization of women's right was called 'embedded feminism' by the Canadian political scientist Krista (Hunt 2008) at a time when the USA also sought to morally legitimize its military intervention in Afghanistan by referring to women's rights. In this country where women have very limited scope for action and movement in the public sphere, microcredit programmes were again set up as the vehicle for empowerment, i.e. as a universal context-neutral instrument.

## Privatized Keynesianism and the Future of Microfinance

For both national governments and foreign donors, the microfinance industry forms an institutional platform for pushing public-sector privatization and extending it to essential services, infrastructure development and anti-poverty efforts. The poor themselves are made more and more responsible for social tasks. In this way, microcredit schemes relieve the providers of bilateral and multilateral development assistance as well as government policy makers of their social responsibilities. It is part of a trend that Colin Crouch has dubbed 'privatized Keynesianism' to describe the way private debt stabilizes Western European welfare states (Crouch 2009).

It was once again Mohammad Yunus who explored privatization opportunities in Bangladesh. Grameen Bank entered into a public–private partnership with the French water utility Veolia to get the poor, through microloans, to finance their local water mains and house connections themselves. In Cambodia, microfinance institutions offer loans for people to pay for their own toilet as part of a 'sanitation marketing' campaign. Here, credit evolved into a means of getting the very people who are in need to pay themselves for necessary infrastructure, essential services and common goods (Mader 2011). In the wake of the microcredit crash, the Indian government transferred the task of organizing health insurance for people below the poverty line to the MFIs. This policy was intended to create a much-needed additional business opportunity for crisis-hit MFIs, help them out of their liquidity problems and restore trust; on the other hand, this makes for a privatization of social responsibility and relief of the state. The 'enabling' state in the Global South is giving the poor market instruments to manage their poverty on their own initiative (Lavinas 2013: 7).

Private corporations are increasingly interlinked with development policy. It is a privatization of development cooperation that goes hand in hand with the privatization of essential public services. In East Africa, for instance, Syngenta, a major agrochemical company, is funding a microcredit scheme to enable small farmers to buy its genetically modified seeds, fertilizer and pesticides. The price charged for the seeds includes a surcharge for insurance against crop failure, and the company claims in its public relations to be actively engaged in combatting poverty and hunger. Development assistance organizations act here as go-betweens, mediating development policy rhetoric and business interests. In the pronouncements of MFIs, the goal of 'financial inclusion' appears to have supplanted all the development goals (Mader and Sabrow 2015).

The analysis of the evolution of microfinancing shows that it involves market-based instruments and commercial services that do not tackle poverty structurally but operate within a context of neoliberal restructuring and create new precariousness and poverty of the recently included 'customers' through debt. From a gender perspective, it is significant that microcredit flows establish a form of 'gendered accumulation' (Keating et al. 2010). Microcredit constitutes a mode of social reproduction for low-income groups based on the assumption that poor women can be given the responsibility for taking out loans since they can be relied upon for repayment.

Considering the proliferation of microcredit along with its problems and the ensuing critique, resistance has remained relatively weak and rare. One reason is that credit groups tend to cast out women who are defaulting rather than stand by them in solidarity or join together in protest against exploitative financial and market mechanisms. There have been local protests against microfinance institutions and their sharp practices, for example, by the feminist group Mujeres Creando in Bolivia in 2002, by Nicaragua's No Pago movement in 2009 and, since 2014, by the Association for Defending Victims of Microcredit in Morocco, but the majority of women, even in India, ask for new loans because microcredit has become normalized in everyday life as a form of social reproduction and as a tool for poverty management based on money circulation and consumption.

In all this, development agencies, which are inextricably bound up with commercial financial services and national neoliberal policies, are a driving force behind the restructuring of local economies, modes of production and, above all, modes of reproduction. They all follow a neoliberal strategy of transferring responsibility to the individual and relieving government of its development and social policy responsibilities at the national and international levels, a strategy that involves the restructuring of local economies and the scaling-up of a new business and profit model on financial markets. For the state, financial inclusion provides market-oriented structural relief and replaces public provision of essential services. Social responsibility for public provision and welfare is redefined as 'ownership' in the neoliberal sense and passed on to the individual.

## Post-script

Five years after the microcredit meltdown in Andhra Pradesh, India still lacks a bill that would regulate MFIs. However, at the same time, the Indian state advances its regulation and steering of microfinance towards financial inclusion instead of development objectives. It issued commercial bank licences to an increasing number of MFIs. The 'Microfinance Report' has been baptized as 'Inclusive Finance Report', microcredit lending by self-help groups is discredited as slumping owing to a lack of creativity, high transaction costs and mounting delinquencies, while commercial lending experienced 'enormous growth' in 2015 (Nair and Tankha 2015).

Appalling news from the North Indian states of Uttar Pradesh and Bihar point to another microfinance bubble bursting at the cost of poor village women. Owing to the large number of loans in those earlier 'underserviced' states, the same tragic chain has emerged: interest rates went up to 60 per cent, after multiple loans women became highly indebted, they were harassed by MFI agents, and some committed suicide. This tragedy is a systemic result of the commercialization of financial inclusion and microfinance as a gendered accumulation regime.

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# 12

# Organizing the Informal Economy in Senegal

Thomas Greven

## Introduction

The initial impetus for this contribution came from noticing a stark contrast between the literature on the informal economy in the Global South and my perception of it in the streets of West African cities.[1] Not that I could not see the real misery reflected in the data and reports of the researchers. But from observing the variety of informal work, I was able not only to recognize the richness and dignity of the people involved and the economic prowess of the informal economy but also to realize its impressive organizational capacity and activity. As a researcher of labour unions, I was intrigued to explore the organizational efforts in the informal economy. While I am not a specialist on Africa, I have lived in West Africa for the better part of the last seven years (Mali at first, Senegal since 2014); hence, I feel reasonably prepared to venture into an analysis of some aspects of its informal economy.

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I will focus on the informal economy in Senegal, and specifically its capital city, Dakar. In addition to drawing on the available literature and data (which are rather sketchy), I rely on two sorts of interviews. The first type should rather be called 'conversations' as they happened rather informally at first as part of my venturing into the streets of Dakar, getting into impromptu conversations with all sorts of actors in the informal economy. At some point, this approach was turned into a somewhat more systematic questioning as I figured out more and more what I wanted to find out specifically. Sometime soon, I hope, some of the stories collected as part of these street conversations will be available, together with the magnificent pictures taken by Frederic Blank, with whom I scouted the streets of Dakar in an effort to capture the visual and economic variety of the informal economy. The second type of interview was somewhat more formal but also did not follow a questionnaire. I interviewed participants of a significant new process of self-organization in the Senegalese informal economy. I was also able to obtain access to meeting minutes and other relevant data concerning this ongoing organizational process.

Having had identified a promising subject of research, I went looking for a suitable analytical framework. As mentioned earlier, I am neither an Africa specialist nor a seasoned researcher of the informal economy. I have, however, researched organized labour (in the USA and Europe), and I have practical experience in the field of organizing workers into labour unions. Why not apply one of the currently popular theories of labour power in this study? Isn't organizing workers in the informal economy tantamount to building labour power? The power resources theory of labour (Silver 2003; Dörre and Schmalz 2013) is not simply a theory of unions in developed economies with formalized labour markets (even though that has been its primary application); rather it is a theory of various power resources of labour. Thus, it seems plausible that questions of structural, organizational, institutional and societal (discursive) power resources can be asked and at least be partially answered for informal economies as well.

Questions concerning the market power of workers and their position in the process of producing goods and services, the organizing efforts of unions and other organizations as well as the self-organizing efforts of informal workers, laws and regulations in the realm of social security, and workers' and unions' discursive power, for example, in the form of campaigns scandalizing substandard working conditions publicly—all these topics seem relevant and researchable.

Using the example of the informal economy in Senegal and specifically the history and work of the *Confédération Générale des Travailleurs de l'Économie Informelle au Sénégal* (CGTIS, Senegalese Confederation of Informal Economy Workers), I will explore the possibilities and limits of the power resources theory of labour for the analysis of informal economies and workers. The broad spectrum of informal employment as well as its interdependence with the formal economy (for example through subcontracting and homework) is well documented and researched (ILO 2013; Benjamin and Mbaye 2012). Apart from traditional dependent workers, the informal economy is characterized by small businesses, many being self-employed, often acting as employers (for example, of apprentices). The first question is whether these actors will be able to articulate mutual interests, for instance, those concerning their social safety. Findings regarding CGTIS appear to show that this is possible. The second question is whether the diversity of their interests in the long run will result in the creation of different organizations better suited to represent such interests (associations of small and medium-sized enterprises [SMU associations], employer associations, unions). Are we thus observing a traditional industrial relations system in the making? The answer to the latter question is obviously impossible to ascertain at this early stage of the process. As I will show, however, the power resources theory of labour is ill-suited to identify and categorize the diversity of interests in the informal economy and, more importantly, to capture the complex process of interest formation. Remarkably, in the Senegalese informal economy, this process has less to do with objective questions of economic position or class and more with questions of identity and social position. I will apply Antonio Gramsci's theory of hegemony to the study of organization in the informal economy to highlight the relevance of self-perception for the self-organization of the informal economy (Gramsci 1971). We observe workers but also small business owners and employers in the process of forming self-described 'unions', albeit—by their own admission—'non-traditional unions'.

After an exposition of the power resources theory of labour in the following section of this chapter, I will provide information on the

Senegalese informal economy and the organizing challenges it presents. In the next section, I will highlight the failure of labour unions to effectively organize workers in the Senegalese informal economy. The following section presents an account of four examples of self-organizing in the informal economy, three of them at the industry or workplace level and one at the level of a confederation of organizations. Finally, I analyze the shortcomings of the power resources theory of labour to grasp organizing efforts in the informal economy and use elements of Gramsci's theory of hegemony to address some of these shortcomings.

## The Power Resources Theory of Labour

The power resources theory of labour was developed in a series of progressive steps, each reflecting the empirical realities of the context to which it has been applied. I will highlight the three most important steps of theory development, beginning with its application by researchers in the USA. In her seminal book *Forces of Labor*, Beverly Silver (2003) describes two types of labour power. First, she talks about labour's structural power, which in turn comes in two forms. Workers have power as a result of their position in the process of the production of goods and services. In other words, the more importance the tasks that they carry out have for a particular process, the higher their relative power vis-à-vis the employer. Workers also have power as a result of the labour market's supply and demand. If the skill set offered by a worker is in high demand, his or her relative labour market power increases, and vice versa. The same is true of groups of workers or the labour supply of a country, for example, in the context of international trade.

Second, Silver highlights the role of labour's organizational power, necessary to overcome labour's structural disadvantages regarding the application of its structural power as well as its inherent weaknesses in the event of low structural power. Unsurprisingly, labour's organizational power mostly comes in the form of labour unions, but obviously other forms of organizations can be crucial, for example self-help associations or professional associations. In most cases, organized labour is better equipped than individuals to contest employers in the necessary bargaining over wages, working conditions and fringe benefits because of the latter's crucial advantages regarding knowledge of the process of production and the labour market.

The intermediary role of labour parties in the history of organized labour highlights the relevance of the extension of Silver's conception of labour's power resources developed by German sociologists Klaus Dörre and Stephan Schmalz. Reflecting on the importance of legal protection of workers' rights and standards in the European, especially German, context, relative to the weakness of such protections in the USA, Dörre and Schmalz (2013; Schmalz and Dörre 2014) introduced the concept of the institutional power of labour. Organized labour, that is unions and labour parties, have been able to exert pressure on governments to pass laws that establish rights, protections and standards for workers, as well as institutional protections for labour's organizations. Laws have also been passed to head off such pressure. Labour's institutional power can constitute protection against temporary weaknesses of structural and organizational powers, or even compensate for such weaknesses over a longer period. Ultimately, however, laws and norms constitute an indirect power resource for labour, as their continued existence and enforcement hinge on labour's structural and organizational power. In other words, if the first two powers of labour are weakening, so will its institutional power, at least in the long term. This logic has convinced at least some labour movements in the context of strong institutional power to react to the weakening of the said power not solely with increasing lobbying efforts but with investments in the building of organizational power. In other words, they have counter-intuitively adopted organizational and campaign practices from labour movements with much less institutional power. For example, some German unions—institutionally well protected, as are German workers—have reacted to a waning of both institutional and organizational power (membership decline) by adapting organizing and campaigning strategies that institutionally weak American unions employ (Greven 2016).

This strategic decision is also a reflection of the latest conceptual addition to the power resources theory of labour. Workers and unions draw power from how they are perceived in the public eye. This discursive power (Schmalz and Dörre 2014) is negatively affected, for example, when unions are regarded as lobbying organizations for special interests. The decision to adopt organizing and campaigning strategies by some German unions has thus also been an effort to bring the 'movement' back into the labour movement, to be once again a visible advocate of workers' interests. Backroom negotiations are undoubtedly often highly effective, but they do not transmit the message of 'unions as a movement'; on the other hand, creative action as part of an organizing campaign certainly does.

While the power resources theory of labour has mostly been applied to developed countries, I argue that its logic can be used to analyze the situation of labour everywhere. Specifically, because it is not simply a theory of unions, other forms of organization that may arise, for example in informal economies, can be conceptualized.

## The Informal Economy in Senegal

Senegal's economic growth rates over the last three years (2014–16) have averaged an impressive 5.8 per cent, but most observers agree that Senegal needs at least 7 per cent GDP growth to keep up with the high annual population increase (3.1 per cent in 2015; see Benjamin and Mbaye 2012). The central challenge is to find a solution to the high rate of youth unemployment, underemployment and precarious self-employment. Every year, 200,000–300,000 young people join the labour market. The challenge is to create not only a sufficient level of employment but sufficiently 'good' jobs to enable an increasing number of people to gain and sustain middle-class status. In this respect, the International Labor Organization's (ILO) 'decent work' agenda can serve as a viable indicator of success, or rather the lack thereof (ILO 2012).

The ILO defines informal economy as 'all economic activities by workers and economic units that are—in law or in practice—not covered or insufficiently covered by formal arrangements' (ILO 2015), that is including 'not only informal sector employees, but also uncompensated family workers, workers with a precarious status in formal firms, and uncompensated household workers' (Benjamin and Mbaye 2012). While there is no source of reliable data, less than 500,000 employees in the

Senegalese public and private sectors combined can be counted as fully formal (meaning they are registered with Senegal's social security system IPRES; Interview with Ismaila Diack), and the formal economy is incapable of absorbing new arrivals on the labour market, resulting in a large informal economy (in fact, formal employment shrank by 1.5 per cent between 2015 and 2016).

Whether one uses ILO's approach to focus on informal employment or that of the World Bank, categorizing firms as formal, large informal or small informal, it seems obvious that dynamic informal economies dominate the economies of many countries—including Senegal's—absorbing between 80 and 90 per cent of all employment while contributing up to 60 per cent of GDP (due to their low productivity) (Benjamin and Mbaye 2012, ILO 2013) and that informal economic activity is a matter of degree. 'Informality is a continuum, with even largely formal firms often engaging in some informal practices' (Benjamin and Mbaye 2012: 3), for instance, through subcontracting practices. In other words, informal economic activity is intertwined with formal economic activity. Partial formality is widespread, that is employers may pay some taxes (based on understated revenues) and fees, but their employees are not registered with social security systems.

Most importantly, from an organizing perspective, the range of informal economic activities poses significant challenges. This becomes obvious when one looks at the range of employment situations in the informal economy, as outlined by the ILO:

> (a) Those in the informal economy who own and operate economic units, including: own-account workers; employers; and members of cooperatives and of social and solidarity economy units; (b) contributing family workers, irrespective of whether they work in economic units in the formal or informal economy; (c) employees holding informal jobs in or for formal enterprises, or in or for economic units in the informal economy, including but not limited to those in subcontracting and in supply chains, or as paid domestic workers employed by households; and (d) workers in unrecognized or unregulated employment relationships. (ILO 2015)

In Senegal, the exact composition of the informal economy is unclear (a government survey is under way, interview with Ismaila Diack); however, there are indications that most in the informal economy work in agriculture, fisheries and commerce. While economic units in agriculture are mostly families and mostly inaccessible from a trade union perspective, there are day labourers in all areas of the informal economy, including agriculture and fisheries. In some trades that are dominated by own-account workers, for example, carpentry or mechanics, there are unpaid apprentices, given to the care of the master by their families. According to the World Bank, 'small operators coexist with very large and politically well-connected informal enterprises and well-organized networks.…These sectors include import–export trade, domestic wholesale–retail, transportation, and construction. For example, in Senegal, one trader is estimated to control more than a third of the imports of rice, the main food staple in the country' (Benjamin and Mbaye 2012). Among large informal enterprises in Senegal, the religious brotherhood of the Mourides plays a significant role. 'In addition to domestic commerce and international trade, Mourides have increasingly dominated other important sectors in the cities of Senegal, notably transport and real estate, all of which operate informally despite their large size' (ibid.). Here, the organizing challenges are even greater.

## Organizing Failures: Unions as Organizations of Formal Economy Workers

The complexity of the informal economy and the challenges it holds from an organizing perspective can, however, in no way exonerate the Senegalese trade union movement. Like most of their counterparts in countries with large informal economies, they have been largely inactive when it comes to organizing or assisting workers in the informal economy (the trade unions in Ghana are a notable exception in West Africa; see Osei-Boateng and Ampartwum 2011). The Senegalese trade unions are organized along the lines of the French model of politically competitive unions, which has led to substantial political and organizational fragmentation. There are eighteen federations, five of which are affiliated with the International Trade Union Confederation (ITUC). There is some discussion of greater organizational unity among trade unions, that is increased cooperation of the various federations, which would increase their influence.

Senegalese unions are quite active politically and in terms of bargaining, yet their real impact remains rather insignificant as they organize and represent only a fraction of the working population, that is mostly workers in the small formal sector of the Senegalese economy who enjoy the protections of a strong labour code. Traditionally, unions assumed that the informal economy simply could not be organized effectively and efficiently. There are monetary and political concerns regarding its organization: Not only would it be very costly to organize workers in the informal economy (or to push their formalization and then to organize them), but as the Senegalese state privileges—both financially and in terms of regular consultations—the most representative trade union federations, strong workers' organizations in the informal economy might jeopardize entrenched positions of power (elections are held to demonstrate representativeness) (interview with Ismaila Diack).

Thus, while Senegalese trade unions have long claimed to work on behalf of workers in the informal economy, very few have been really active. The federation UNSAS, an ITUC affiliate, cooperates with the local ILO office to push formalization and organization; they affiliate cooperatives from the informal sector as associated members.

The organizing failure of Senegalese trade unions (as well as the failure of the Senegalese state to effectively promote formalization of informal economic actors) becomes most obvious when looking at the large informal enterprises (Benjamin and Mbaye 2012). In Senegal, there are large enterprises, for example, big wholesalers, that resist formality but actually exist in a zone between the formal and the informal. For example, they might pay certain government fees and taxes and also pay monthly salaries to at least some employees (so that they are covered by Senegalese labour law), but they do not register them with the social security system IPRES. Neither the state nor the so-called traditional unions have targeted them for formalization and organization (interview with Ismaila Diack). The fact that many of these large informal enterprises are connected with one or the other of the Muslim brotherhoods, in commerce most often with the Mourides, leads me to believe that the political power of the brotherhoods is at play.

## Self-Organizing: The Case of *Confédération Générale des Travailleurs de l'Économie Informelle au Sénégal* (CGTIS)

As the Senegalese labour movement has, until very recently, shown very little interest in organizing the informal economy, and as Senegalese business associations have been equally inactive, numerous efforts at self-organizing have occurred over the years. 'Informal institutions can fill a critical gap created by non-functioning or non-existent formal institutions and in this case are considered substitutive informal institutions such as women's microfinance groups or village cooperatives' (Minard 2009).

Before turning to the recently established confederation of organizations in the informal economy (CGTIS, Senegalese Confederation of Informal Economy Workers), I will briefly describe three examples of self-organization in different sectors that highlight the variety of work and of forms of organizations in the informal economy.

### Street Traders' Organizations

Street traders, 'one of the largest sub-groups in the informal economy after home-based and domestic workers, … operate in a visible but contested domain' (Brown et al. 2010: 667) because they are bound to use public space for their economic activity. Senegalese law does not protect them; in fact, there is 'legislation that criminalizes the commercial exploitation of public space by "unauthorized" actors' (ibid.). For a long time, while the number of street traders grew in Dakar, their political influence remained weak and they had little protection against the arbitrary action and corruption of government representatives. In 2007, local government undertook a series of evictions in and around Dakar's

Sandaga Market, to which the traders responded with several days of rioting. Then-president Wade ultimately decided that negotiations would be better, provided the traders organize themselves. New, more effective trader groups were formed in response to this incentive, and in 2009, a number of 'umbrella groups emerged including SYMAD (Synergie des marchands dits ambulants pour le développement) representing 12 associations and a membership of around 7000, and FAMATS (Fédération des Associations des Marchands Tabliers du Sénégal) representing 15 associations and over 5400 members' (Brown 2015: 243). At the same time, the established business association *Union Nationale des Commerçants et Industriels du Sénégal* (UNACOIS, United Traders and Manufacturers of Senegal), which has about 100,000 members but is dominated by large businesses, has been too protective of its privileged relationship with the government to engage itself for the street traders. Thus, while the new street traders' organizations have begun 'breaking the traditional clientelist relations between petty traders and the Mouride wholesalers' (ibid.: 245), the confrontation between street traders and local government and neighbours continues.

## Union-Organizing in the Informal Economy: *Coxeurs*

*Coxeurs* (roughly translated as bus/taxi touts) work at large bus stations. Among other things, they take over buses from drivers and park them, collect fares from passengers and load luggage onto buses. Like dock workers, they are organized into union locals, and these 'regroupments de chauffeurs' (one for every large bus station) are affiliated with the transport workers' union (*Syndicat national des travailleurs du transport sé négalais*, SNTTRS, Senegalese Transportation Workers Union). The organization of the work and the organization of the workers are directly intertwined, helping to control competition and enforcing norms of work. Part of the income of the day labourers goes directly to the union (Cissokho 2014). There is, however, no employer who could formalize the employment relationship of the *coxeurs* and with whom the union could bargain. While organized into a traditional union, this union thus operates in a non-traditional way in this case. Unfortunately, union organizing of this sort is very rare in the Senegalese informal economy.

## Organizing of Wholesale Fish Merchants: Self-Described Union or Small Business Association?

Fishing makes up a considerable part of the economy on Senegal's coastline and rivers. The *mareyeurs* (wholesale fish merchants) constitute the link between the fishermen and businesses buying larger quantities of fish. They use government-operated markets, for which they pay fees. The merchants are organized into so-called GIEs (*groupment d'interêt é conomique*), which in Senegal is the smallest economic unit beyond self-employment. Quite often, GIEs are families, and this is the case for most fish merchants. While the GIE's president heads and represents the GIE—he or she has usually paid the fees for registration with the chamber of commerce and has financed initial investments—the other members of the GIE are not employees and are not registered as such. A certain degree of formalization exists, but GIEs often do not pay taxes.

Interestingly, the wholesale fish merchants—who informally employ day labourers— have named their organization *syndicat* (i.e. union), even though they operate like small businesses or cooperatives and their organization acts like a small business association, with elements of self-help (for example, acquiring a loan to buy a multi-service truck and establishing a health care cooperative) and lobbying. In Dakar, SUDEMS (*Syndicat Unique et Démocratique des Mareyeurs du Sénégal*, United and Democratic Union of Wholesale Fish Merchants of Senegal) has 250 members (i.e. GIEs), and 750 members in the rest of Senegal. SUDEMS is affiliated neither with a labour federation, which seems logical, nor with UNACOIS, the traditional business organization for trade, although it does cooperate with the latter in order to gain more political and lobbying leverage.

In our interview, from which this section is drawn, Mamadou Fall, President of SUDEMS, contrasted his 'union' with Senegal's *syndicats classiques* (traditional unions) to highlight the fact that SUDEMS members consider themselves workers and feel that they are being left out of both the welfare state and of the established system of industrial relations, meaning they lack access to the government. One example he used was the constant dissatisfaction of the fish merchants with the management of the market in Dakar. The government-appointed manager (himself relying on informal labour for functions like administration, security and janitorial services) allegedly does not respect the rules designed to limit competition in the market and is giving out more of the badges necessary to trade there than agreed upon, possibly to enrich himself. At the same time, the market has not been kept sufficiently clean (I can attest to that).

## Organizing a Confederation in the Informal Economy: CGTIS

Lacking access to relevant government agencies to address their grievances, Fall said SUDEMS organized a 'strike' against the market's management—in fact, however, what he described was a boycott—and because of this and other grievances, they decided to form a confederation of organizations in the informal economy, the CGTIS, of which Fall is also the president. The choice of name is once again significant, because Fall's statement of the self-perception as workers is reflected therein (*travailleurs*). In November 2015, the confederation of organizations in the informal economy (CGTIS) was established with institutional support from a German non-governmental organization, the Friedrich-Ebert-Stiftung (FES) (for the sake of full disclosure: my wife is the FES country director). In my interview with FES's Ismaila Diack, in charge of assisting CGTIS, he said FES initially facilitated a meeting of sixteen organizations in the informal economy to identify their primary problems. Two types of problems were debated, first, problems that concerned the industries where the organizations were active, and second, problems of a more general nature. It was decided to address, at the level of the confederation, only common problems, namely the issue of 'social protection'. As the CGTIS cannot organize strikes—neither legally nor practically—it will have to lobby the government with feasible propositions concerning the problem of health care and social security.[2] It will do so, *inter alia*, with the commerce ministry, which is responsible for the informal economy but has not known with whom to meet, via the FES and partnerships with 'traditional unions', piggybacking on their established inroads with the government. As mentioned earlier, this may prove to be an uphill battle because some of the unions and federations consider organizations of the informal economy to be competition.

According to Ismaila Diack, CGTIS and FES hope that the confederation will steadily grow as existing organizations in the informal economy join and new ones form to become members. FES will only work at the top level and on general issues. Organizational issues below this level, such as forming regional or national organizations in various industries, will be the concern of those organizations themselves. At the time of this writing (March 2017), a meeting of CGTIS at FES in Dakar is taking place to discuss, *inter alia*, the internal structure of the confederation along industry lines.

As Mamadou Fall explained, CGTIS includes many different types of organizations, some of them organized internally as GIEs (fish merchants, various craft organizations), some joining self-employed workers (street traders), some called 'unions' (though not 'traditional unions', just like his SUDEMS). Although at this stage of the research I have not yet explored CGTIS's member organizations, I did ask about employment relations in the various industries organized by them. While Fall was somewhat evasive, it seems clear from his and Ismaila Diack's responses that various GIEs that are active in the Senegalese informal economy informally employ day labourers on an as-needed basis. At least in the fishing industry, these day labourers have not yet formed their own organization. In other industries, and especially in the various crafts, it is traditionally common that parents entrust their children to the informal (and unpaid) vocational training of an experienced craftsman, for example, a carpenter. Obviously, no official certificate will be issued at the end of such training, but the trainees may be in a good position to earn their livelihood. At least one Senegalese labour union federation, the *Union Dé mocratique des Travailleurs du Sénégal* (UDTS), has identified informal vocational training as a possible inroad for a formalization agenda. But it seems equally necessary to uncover the hidden employer–employee relationships widespread in the informal economy.

Quite possibly, one government programme currently under way will eventually lead to some clarification in terms of labour relations. The *couverture maladie universelle* (universal health care) is designed to include the informal economy, but its implementation is slow. The cost is only

7000 West African CFA Francs per year per person (slightly more than 10 euros), half of which the government pays. One problem is that people in the informal economy are not used to regular payment schemes, but Mamadou Fall remains optimistic given the low cost of the programme. Employers in the informal economy might be in for a rude awakening should the government at some point decide to have them contribute for their employees. Ismaila Diack conceded this point but observed that awareness-raising is an ongoing challenge.

## Analysis and Theoretical Considerations

The informal economy poses significant organizing challenges, not just for unions but also for business and employer associations. Our brief exposé of the Senegalese informal economy has shown that the range of informal economic activities includes both employer and employee functions, entrepreneurs and casual day labourers. Quite often, traditional employment relations are concealed. Dependent workers might not even be aware of their position, for example, in a family business, as informal apprentice, or as supposed co-equal in a GIE (the smallest economic unit beyond self-employment). In addition, the political power of networks like the Mourides apparently allows large informal enterprises to resist both formalization and (union) organization.

Thus, in a way, it is no wonder that both unions and business associations have largely shied away from engaging with the informal economy. In addition to other reasons, for example considerations of cost and political power, the unclear organizational position of many informal economic actors is a considerable disincentive. Will their economic and political interests align with trade unions or with business associations?

As a consequence, numerous efforts at self-organizing have occurred over the years. The first question is whether these actors will be able to articulate mutual interest. I have presented four examples of self-organization, highlighting the variety of work and of forms of organizations in the informal economy. In all cases, the organizations have been successful in articulating common interests. The street trader groups, including *Synergie des marchands dits ambulants pour le développement* (SYMAD) and *Fédération des Associations des Marchands Tabliers du Sé négal* (FAMATS), while shunned by the traditional business association UNACOIS, have been able to engage in constructive negotiations with the local government about the use of public space. The *coxeurs* at large bus stations are organized into union locals affiliated with the transport workers' union, SNTTRS. In other words, they demonstrate the organization of a traditional union. The organization of wholesale fish merchants, in turn, is most certainly a case of a small business association, regardless of the choice of 'union' for its name (SUDEMS, which, as noted, stands for *Syndicat Unique et Démocratique des Mareyeurs du Séné gal*). However, as discussed, there are possibly concealed traditional employment relations within the GIEs affiliated with the organization. The newly established confederation of informal economy organizations (CGTIS) includes many different types of organizations, some of them organized internally as GIEs, some joining self-employed workers, some called 'unions'. Despite this diversity, common problems were identified, and it was decided to focus on the issue of 'social protection', mostly by lobbying the government, via the FES and via partnerships with 'traditional unions'.

While we can at this point only speculate whether the diversity of interests within informal-economy organizations, and specifically within the CGTIS, will, in the long run, result in the creation of different organizations better suited to represent these interests, resulting in a traditional industrial relations system, it seems clear that the power resources theory of labour is ill-suited to, first, identify and categorize the diversity of interests in the informal economy, and, second and more importantly, equally ill-suited to capture the complex process of interest formation within these organizations. Only the union organizing of the *coxeurs* fits the concept of labour power somewhat, as they are organized in a traditional union. However, because there is no employer to bargain with, this union operates in a non-traditional way, essentially regulating working conditions and pay scales of self-employed workers. In all other cases, many of the actors organizing themselves cannot be categorized as workers in the context of labour power theory. There are small businessmen, family enterprises, self-employed, own-account workers and others.

Put simply, in many cases, there is no employer with whom to bargain over wages and labour conditions. Consequently, the CGTIS made a decision to focus on lobbying the government regarding the issue of social protection, which is a concern for all member organizations and their members, regardless of their economic position. In the context of the power resources theory of labour, this effort can be described as building 'institutional power', that is improving the situation of workers by establishing state protections.

The process of interest formation in the Senegalese informal economy, it seems, has less to do with objective questions of economic position or class and more with questions of identity and social position. The wholesale fish merchants, who clearly operate like small businesses or cooperatives—albeit with possible concealed traditional employment relationships—consider themselves 'workers' and their organization a 'union' because they feel that they are being left out of both the established welfare state, which only covers fully formal employees, and out of the established system of industrial relations, meaning they lack the access to the government that so-called traditional unions enjoy. The same can be said for the confederation CGTIS, where members' self-perception as workers is reflected in the name of the organization (*travailleurs*), even though, when looking at the roster of member organizations, the majority are more like the organization of the wholesale fish merchants and few resemble the *coxeurs*.

I argue that Antonio Gramsci's theory of hegemony makes it possible to make sense of this social and political constellation (Gramsci 1971). Moving beyond the simple identification of class position and economic (and political) interest, Gramsci highlighted the role of cultural processes and identity for the formation of said interests. In the Senegalese informal economy, we observe workers but also small business owners and employers in the process of forming self-described 'non-traditional unions' because their self-perception is one of underprivileged and under-represented 'workers'. This is not to say that this self-perception and identification as 'workers', and the subsequent self-organization into 'unions' or the joint organization of business owners, employers and workers into common organizations, will hold. On the contrary, it is very likely that it will be very difficult for organizations that represent such a diversity of interests—potentially antagonistic ones—to sustain their common bound beyond the pursuit of clearly mutual interests such as 'social protection' vis-à-vis a common counterpart, namely the state. Once employers represented in these organizations are called upon to assume responsibilities for employees represented in the same organizations, they will very likely break up or reform. But for now, self-organization in the Senegalese informal economy follows identity much more than class.

## Conclusion

The power resources theory of labour asks questions about the structural, organizational, institutional and societal (discursive) power resources of labour and can therefore be applied to the analysis of organizing efforts in economies with high levels of informal employment. The Senegalese informal economy is characterized by traditional dependent workers, but also by small businesses and self-employed workers, often acting as employers. These diverse actors, while neglected by both labour unions and business associations, have organized in various ways and have recently established a confederation of organizations, the *Confédération Générale des Travailleurs de l'Économie Informelle au Sénégal* (CGTIS). They have been able to articulate mutual interests in an effort to establish institutional protections for labour, specifically in the field of social protection, but the fact that they have organized themselves into joint organizations despite the diversity of their economic interests as business owners, employers and dependent employees cannot be captured by the power resources theory of labour. Antonio Gramsci's theory of hegemony, which highlights the role of identity in the formation of interests, makes it possible to better understand that self-organization in the Senegalese informal economy at this time follows identity much more than class, because the diverse actors, regardless of their actual role, all perceive themselves as underprivileged and under-represented 'workers'.

## Notes

1. In the context of this chapter, 'informal economy' refers to all non-criminal, non-standard economic activities outside the realm of full state registration. The term 'Global South' is meant to encompass underdeveloped areas everywhere.
2. This agenda corresponds with the ILO recommendations concerning the informal economy, decent work and social protection, which formulate demands regarding not only employers but also governments. In addition, quite a few of the ILO's demands concerning the informal economy consider the perspective of businesses and employers (ILO 2015).

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Note: Page numbers followed by "n" refers to notes.


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