

Legal Empowerment of Informal Business (Draft)

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This paper tries to understand the problems faced by informal business. In India there are a number of activities in the informal sector. This sector employs around 93% of the country's labour force and contributes to 65% of its GDP. A profile of the urban informal economy shows that around two-thirds of the workers are self-employed. With the exception of some categories, such as casual day labourers and domestic workers, the activities of the self-employed would be fall mainly in the category of informal business. Such activities would include street vending (or street trade), home-based workers, waste recyclers (or rag pickers) and small factory owners, which are known as Household Industries (HHIs) in Delhi and micro-industries in other cities.

Though all these trades are visible, unlike illegal and underground activities such as drug peddling, sale of stolen goods or contraband, there is hardly any assessment of their numbers, the turn over in their businesses and their level of living. In some cases, such as street vending, it is possible to arrive at fairly accurate estimates. The National Policy for Urban Street Vendors has assessed that around 2% of the total urban population is engaged in street vending. We also have estimates of street vendors in some cities such as Mumbai (250,000), Delhi (300,000), Kolkata (150,000), Patna and Ahmedabad (40,000 each). However in the case of the other trades such as waste recycling and home-based work there are no estimates as there have been no attempts to assess the number of people, mainly women, engaged in these trades. This is despite India ratifying the ILO convention on home-based work. The convention states that there should be a live register on home-based work in order to assess the numbers involved.

While assessing the working and living conditions of those engaged in informal enterprises, the issue of legal empowerment becomes all the more important. Though these enterprises are engaged in legal goods and services, they are often branded as illegal. This is more so in the case of street vending. By not recognising this trade as legal activity these people become vulnerable to rent seeking by the police and municipal authorities. Small businesses too are harassed in a similar manner. We shall examine these aspects later.

This paper is divided into three parts. The first part comprises the introduction and the dimensions of the problem. The second part deals with some case studies of HHIs in Delhi and Mumbai, problems of street vendors and waste pickers. It also contains the activities of the Self-Employed Women's Association (SEWA) in Gujarat. The final part deals with the need for legal recognition of these trades and what this implies. Firstly we will look at how these trades can become 'legal' and secondly, what would be the fall out of this legalisation in terms of their ability to improve their working conditions and their incomes.

Household Industries (HHIs) in Delhi

The state government, known as Government of the National Capital Territory of Delhi, has shown interest in promoting industries in the small-scale sector. These are known as Small Scale Industries (SSI). The government provides infrastructure for these industries. These areas are called Industrial Estates. We can find them in several locations in the outskirts of the city, such as Okhla, Narela, Badli etc. These estates cover large areas of land and the government has provisions for setting up

basic structures such as sheds. There are other areas too where SSIs function in multi-storied buildings built for this purpose. These are known as 'flatted factories'. They are flats that are functioning as factories. One can find these in more crowded areas in the city such as Jhandewalan, and in one part of Okhla. These industrial estates have been built for those industries that require a little more of capital. The maximum cost of machinery for an SSI is Rs. 10 million and in some cases (in the case of specific items such as pharmaceuticals) Rs. 50 million.

There is another section of entrepreneurs who may not have even the capital required to come under the broad definition of SSI. Such industries may find it difficult to afford separate land for setting up their establishment, as they are smaller in size. These are known as household industries (HHIs). The government is aware of their problems and hence it has made a provision in its industrial policy to allow setting up industries in the household sector. It has prepared a list of 73 industries that can be run in urban residential areas with the permission of the High Power Committee set up for regulating industries.

According to the rules of the state government, household industries (HHI) are those that use up to 5 KW of power and employ 5 or less workers or those not using power that employ 9 or less workers. The data on the informal sector in Delhi shows that employment in HHIs engaged in manufacturing worked out to 1.5 employees. The units in this sector are tiny and have low investment. As a result a large section of the workforce comprises household labour that is largely unpaid and hence these people are not counted as employees.

The state government's list of items permitted to run as HHI includes traditional, low-capital and labour intensive products such as embroidery, cotton/silk printing, clay modelling, button making, fixing of button and hooks (on garments), carpentry, making incense sticks, assembling and repair of electrical gadgets and sewing machines, etc. It also includes more modern, less labour intensive activities such as block making and photo enlarging, contact lens manufacture, making fountain pens and ball pens, data processing, computer software, desk top publishing, etc.

The main concern of the government is that these industries should not cause environmental pollution or noise pollution. Hence industries such as dyeing, PVC products, electroplating etc. are banned as HHI. Other items of manufacture such as drugs and pharmaceuticals, aerated water and beverages are also banned because these units may not be able to maintain the stipulated standards of hygiene.

The government has a system of registration for SSI (including HHI) units. There are two parts to registration. The first part is 'provisional registration' which is provided before the unit commences production. The owner/partner of the enterprise has to submit some proof regarding the enterprise. Registration is not mandatory, but according to the government, it has advantages. The entrepreneur can avail of institutional finance from the corporations set up for financing small industries, getting permission for electricity and water becomes easier and, one can get building materials at cheaper costs.

After the unit starts production the provisional registration ceases to operate and the entrepreneur has to seek a permanent registration. This involves a more elaborate process and the entrepreneur has to provide a large range of documents to support her/his case. Our study showed that most of the HHIs we covered did not have any registration. The owners found the process too cumbersome and drowned in red-tape.

Since most HHIs are not registered nor are they located in the Industrial estates, locating them can be a problem. However we did manage to locate the areas

they operate in through the Industries Department. This was of course unofficial. The officials in this department had a good idea of where these units were concentrated. We noted some of the locations and made a random check of them. The information provided was indeed accurate. Initially we assumed that HHIs, being home-based, would be dispersed in different areas in the city. The information supplied showed that they were in fact concentrated in slums where the poor resided. These people served as sources of cheap labour for the factories that recruited labour outside the family.

The industries department gave us a list of 20 locations where these industries were located. We took up one location for intensive study. This was in North Delhi in a colony where there are a number of such units. We spoke to some of the owners and later with the workers separately. There were some problems that we faced in our data collection. Despite telling them of our intent, many owners were suspicious of our motives. They could not understand why people should view them as an objective for research. The educational levels of these owners were low and they obviously had not heard of research.

Another feature that made our task difficult was that the entrepreneurs did not have any association or union. The SSIs have their associations that perform several activities. The most important of these is of lobbying for facilities for small entrepreneurs. The owners of HHIs do not have any such associations. This puts them in a weaker position as they cannot negotiate with the authorities as a group. Maybe this was the reason why these people were reluctant to talk to us. They kept thinking that we were interested in finding faults in their working.

If they had an association it would have helped us as we could then explain our purpose to the office bearers. If they understood the purpose of our research, it would have been easier to get information from individual owners. Nonetheless we tried explaining to them that we were interested in knowing their conditions and the problems they face as small entrepreneurs. This information could be used for their own good.

We did get positive response from some of the owners, but after a great deal of persuasion. Others who spoke to us kept trying to find out if we were government officers who had come to pin point irregularities in their business. The owners who were willing to talk were quite frank about the working of their enterprise. They had no hesitation to admit that they did not possess licenses to conduct their activities. They even told us that getting a license involved a very complicated process and a lot of paper work. They were uncomfortable with such details as they could not provide them in writing. This meant they'd have to hire some one, possibly a lawyer, who would charge them a lot of money for doing the job. Moreover they said that getting a license was not the end of their problems. Since their records were with the government, they would be subject to inspections by officials from the different departments. This invariable meant greater rent seeking by these officials. They were happy in their non-registered status as they contribute a small amount to some of the inspectors. We state a few cases to illustrate the conditions. These interviews were conducted between December 06 – January 07 in Delhi.

Shubham manufactures plastic bags in Shalimar village. He employs four workers. When we asked him how much he pays them he promptly replied that they earn more than Rs. 3000 per month. The plastic bags he makes are sold to shops and to street vendors for packing the goods they sell to their customers. He has registered his enterprise for paying sales tax but he has no other registration. Even the sales tax

he pays is less than the required because he pays bribes to the officials. He shows that his sales are lower than the actual volume. This enables him to save on taxes.

Sachdeva manufactures parts for automobiles. His 'factory' is in a small room in Indira nagar. He employs 5 workers who he says are paid Rs. 3,350 per month. He supplies his products to the automobile spare parts shops in the Kashmiri Gate area. His establishment too is registered under the sales tax office but not as a small industry.

Both employers were suspicious of our motives but they answered our questions. However neither allowed us to talk to their workers nor enter the premises of their 'factories'. We did manage to talk to one of the workers when he was leaving his work. After a lot of coaxing he told us that the workers were paid Rs. 1,500 or less per month for working over 10 hours a day. When the demand is high they work longer hours for a few Rupees more. The workers in these industries are under a great deal of pressure to perform. However, if a worker is good, the employer helps him out in times of illness or any other problem.

Another case that we interviewed was that of Deepak. He manufactures electric irons. He gets the components from other manufacturing units in the area and he assembles the units. He sells these to small shops dealing with electric goods. These are unbranded and cost less than half the price of branded goods. The poorer sections living in slums are the main buyers.

Deepak employs 7 workers who, according to him, are paid Rs. 2,500 a month. He too is registered with the Sales Tax department. Despite our requests Deepak did not allow us to see his premises. However he asked a couple of his workers to talk to us regarding their work. He remained present throughout the time we talked to them. The workers told us that they were very satisfied with the work and the pay. We asked them how much they earned. After glancing at their employer they told us that they earned enough. They kept repeating that they were very happy to work in the factory. Their responses were quite rehearsed.

One of the entrepreneurs, Pawan, talked to us frankly about the state of affairs. His unit manufactures straps of all kinds, depending on the orders. He can make watch straps or straps for bags. He employs 7 workers, one of whom is a woman. When we asked him about the wages he paid his workers he seemed reluctant to answer. When we persisted he told us that the wages the owners paid were low. When we told him of the wages paid by others, he laughed and said that we should not take them at their word. These people had given us fictitious wages based on what they thought was the official minimum wage. In other words those who told us that they paid Rs. 2,500 a month thought that that was the minimum wage stipulated by the government. Similarly those who quoted higher wages too had thought that those were the minimum wages prescribed. Pawan then told us that if they had actually paid those wages they would have no profit or perhaps they would run at losses. All HHIs ran at low costs as their profit margins were very low. They could make profits or earn their income because of low wages. He told us that most workers were paid Rs. 1,500 a month. This is well below the prescribed minimum wage.

Pawan was frank enough to admit that the responses of being happy with the wages were 'stage-managed'. Workers dare not speak against their employers as they would lose their jobs. This too was quite evident to us. We could see that the physical condition of the workers were poor. They looked emaciated and weak. Lack of fair wages had taken a toll on them. We did manage to take a peep at some of the manufacturing units. They were far from comfortable. The area was cramped with

lack of light or fresh air. They were also very dirty. The workers had to work under these conditions for long hours.

We got a similar response from another small entrepreneur, Yuvraj. He manufactures school bags that are sold to the shops in different parts of Delhi. The demand for his products rise just before the beginning of the new term, in June. That's when he earns the most. At other times the demand is low. The bags are crafted through family labour. His two sons and his wife do the work. During the peak time, he employs two workers. There are other similar units near that of Yuvraj's that manufacture school bags and they too face similar cycles. In fact many of the units close during the lean period. The conditions of the employers are not very good. They live on modest profits.

Yuvraj told us that he, like other small entrepreneurs, did not get any assistance from the government. This was mainly because they were not registered with the department. They could hence not avail of institutional credit or get inputs at subsidised costs. He told us that the cost of electricity was quite high. Lack of institutional credit meant that he had to borrow from other sources at higher interest rates. All these factors added to his costs and he had to pay low wages to his workers in order to earn enough.

We asked Yuvraj and another friend who had joined him when we were talking why they had not registered their units. Both said that the process of registration was very cumbersome. The forms were complicated and required a lot of time to fill up. After doing this they had to make frequent trips to the offices. These were time consuming. Another entrepreneur, who manufactured powder coating materials, told us that registration may get them some benefits but it also invited frequent inspections from the authorities. They had to grease the palms of these officials in order get the okay from them. Hence whatever they gained through registration was lost in paying bribes to the different inspectors, not to speak of the harassment caused by the visits.

Micro-industries in Mumbai

The small entrepreneurs that we have taken up are those operating in the Dharavi area of the city. This area is/was known as the largest slum in Asia. It houses not only the slum dwellers who live in shacks or semi-pucca (permanent) houses. There are also a number of small industries in the slum that provide livelihood for a large section of the resident slum dwellers. The industries covered are similar to the HHIs in Delhi. We have taken up two types of small enterprises in this slum, namely, garment units and food processing units. The common features of these units are that they are labour intensive and hence use low wage labour. This does not imply that no machines are used in the production process. The workers use some machines but these too are operated by human beings. The workers engaged in these industries possess low levels of skill. This coupled with the low level of mechanisation implies that their productivity is low. This is off-set by low wages.

Most of these industries do not market the goods that they produce. The units in the garment industry that produce cheap garments depend on street vendors to market their products. There are also units that produce branded garments. These are outsourced by the company concerned. In this case too the industries do not market their goods. The companies buying the goods do so at cheap rates. The materials such as cloth, thread and buttons are supplied by the company. The owner is paid the price for converting these into ready made garments. We found that the prices for buying these clothes are very low—between 10 to 20% of the sale price.

Each garment factory we covered employs between 5-10 women who are engaged in stitching of the cloth into garments. They use sewing machines that are either electrically operated hand operated. The women do not cut the cloth to the different sizes. This is regarded as a specialised task and is done elsewhere by master cutters, who are invariable males. The gender divide in the garment industry is based on wages with low wage earners being female and the comparatively better earning jobs going to males. There are industries that employ larger number of workers and use Japanese or Korean automatic sewing machines but we did not cover these as our interests were in covering only the small informal entrepreneurs.

Some of the units we covered were registered as proprietorship companies under the Companies Act. However this did not enable them to get any facilities from the banks as they were not considered creditworthy. We found that some of the companies keep changing their names and registration just before the tax year comes to an end as they could evade paying taxes. However most of these establishments pay Sales Tax. Another form of recognition for them is the electricity charges. There are two types of electricity rates levied by the municipality, namely, for household consumption and, for commercial purposes. Commercial charges are higher than the domestic charges. One advantage of having a commercial registration is that the owner will be entitled for resettlement in a commercial area under the slum redevelopment scheme.

These units are frequently harassed by the police and the municipality. Since their units are small, they usually keep their goods outside their shops on the lane or the road. The officials have to be bribed or they will confiscate the goods as it constitutes unlawful use of public space.

Moreover the owners do not get any loans from the commercial banks. In fact, despite the large scale commercial activities in this area, Dharavi did not have any bank, scheduled or co-operative, till 19th February when Indian Bank opened its branch there.

The other industry that we covered was the food processing industry. These too are small units that make snacks such potato wafers and other fried food. These units are owned by Tamilians who belong to the Thevar or Nadar communities. Their workers too are from Tamil Nadu but belong to poor families in those villages. If they are Hindus they belong to castes that are regarded as lower than that of the owners, usually Adi-dravidas. There are Muslim and Christian workers too who are Tamilians and belong to the poorer sections in the villages.

Most of these units are not registered. They claim that there are a lot of problems in registering their units as small industries which includes liberal bribes. There are some cases where the owner has got his registration through MIDC. However in all cases they got no facilities such as loans from banks or access to drinking water or any tax exemption at the early stage. They mainly depend on money lenders or on credit from the wholesale dealer for conducting their business. The interest rates are high and this obviously leads to reduction in their profits. This is overcome by paying low wages to the workers.

The owners have fairly strong informal organisations that are based on the type of industry. Thus garment units have their own association and the food processing industries too have their own association. These associations play important roles in regulating competition and ensuring that prices remain similar.

The Reserve Bank of India had made a survey of Dharavi recently to find out the potential of the people living there. It later asked Indian Bank to start its operations there. The Bank started registering clients from January 2007 before it

started its branch. In this short span it was able to register more than 7,000 depositors. In fact, given the speed at which the depositors are increasing the bank now finds that its branch may not be able to cope up with growing clientele. This shows that there is a lot of potential for expansion of banking activities at the bottom.

Street Vendors

Street vendors form a very important component of the urban informal sector in India. A street vendor is broadly defined as a person who offers goods for sale to the public at large without having a permanent built up structure from which to sell. Street vendors may be stationary in the sense that they occupy space on the pavements or other public/private spaces or, they may be mobile in the sense that move from place to place by carrying their wares on push carts or in baskets on their heads. The terms 'street vendor' and 'hawker' have the same meaning and they are often interchanged. We will deal with specific problems of street vendors.

For the urban poor, street vending is one of the means of earning a livelihood, as it requires minor financial input and low skills though the income too is low. A large section of street vendors in urban areas are low-skilled migrants who came to the larger cities in search of employment.

There is also another section of the urban population that has taken to street vending; namely, those once engaged in the formal sector. These people, or their spouses, were once engaged in better-paid jobs in the textile mills in Mumbai and Ahmedabad and engineering firms in Kolkata. Formal sector workers in these three metropolises have had to face large-scale unemployment due to closure of these industries. Many of them have become street vendors in order to eke out a living. A study on street vendors, conducted in these cities, show that around 30% of the street vendors in Ahmedabad and Mumbai and 50% in Kolkata were once engaged in the formal sector. A study conducted by SEWA in Ahmedabad shows that around half the retrenched textile workers are now street vendors.

The total employment provided through street vending becomes larger if we consider the fact that they sustain certain industries by providing markets for their products. A lot of the goods sold by street vendors, such as clothes and hosiery, leather and moulded plastic goods and household goods, are manufactured in small scale or home-based industries. These industries employ a large number of workers and they rely mainly on street vendors to market their products. In this way street vendors help sustain employment in these industries.

Street vendors are mainly those who are unsuccessful or unable to get regular jobs. This section of the urban poor tries to solve their problems through their own meagre resources. Unlike other sections of the urban population they do not demand that government create jobs for them, or engage in begging, stealing or extortion. They try to live their life with dignity and self-respect through hard work. A study on street vendors in seven cities shows that their average earnings range between Rs. 40 and Rs. 80 per day. Women vendors earn even less. These people work for over 10 hours a day under gruelling conditions on the street and are under constant threat of eviction. A study of street vendors in Mumbai conducted by SNDT Women's University and ILO showed that an overwhelming majority of them (85%) suffered from ailments related to stress--hyperacidity, migraine, hypertension, loss of sleep etc.

The poorer sections too are able to procure their basic necessities through street vendors, as the goods sold are cheap. The study on street vendors in seven cities mentioned above showed that the lower income groups spend a higher proportion of their income in making purchases from street vendors mainly because their goods are cheap and thus affordable. Had there been no street vendors in the cities the plight of

the urban poor would be worse than what it is at present. In this way one section of the urban poor, namely, street vendors, helps another section to survive. Hence though street vendors are viewed as a problem for urban governance, they are in fact the solution to some of the problems of the urban poor. By providing cheaper commodities street vendors are in effect providing subsidy to the urban poor, something that the government should have done.

Street food vendors are often regarded as carriers of disease because of their lack of hygiene. This may not always be true. In fact this section of hawkers could play a vital role in the food distribution system. The Food and Agricultural Organisation (FAO) has undertaken a number of researches in different Asian cities to assess the utility of food vendors in providing cheap and nutritious food to the common people. The FAO feels that if food vendors are provided training on hygiene and nutrition and are provided basic necessities like drinking water they could play an important role in supplying the basic dietary requirements of the urban poor.

Besides FAO's interest in street vendors, the corporate sector too has used street vendors to promote its sales. Sucheta Dalal a well known business journalist in her column on investment in rediffmail.com has shown how large corporations in consumer goods rely on street vendors to advertise and market their products. Roadside tea sellers advertise tea sold by the corporates and sandwich sellers advertise bread. Ice creams manufactured by these business houses are marketed (and advertised) by roadside ice cream sellers. Bottled mineral water is also marketed by street vendors. Apart from selling the products, street vendors are given t-shirts and umbrellas that advertise the company.

Despite their growing number and their positive contributions to the urban economy, street vendors are regarded as illegal traders and encroachers. The illegal status of street vendors makes them vulnerable to rent seeking by the authorities (police and municipality). These officials extract money from them under threat of eviction. It is estimated that in Mumbai around Rs. 400 crores is collected as bribes annually from street vendors. In Delhi a study by *Manushi* showed that the police and municipality collect Rs. 50 crores every month from street vendors.

The issue of legalizing and regulating street vendors has been taken up by the National Policy for Street Vendors adopted by the government in January 2004. It is believed that street vending can be regulated only if it is legalized. The policy lays down that ward committees, comprising all stakeholders, should be formed in each municipal ward which will designate and regulate hawking areas. The vendors will be issued identity cards and will have to pay a fee. The policy also provides for social security schemes for street vendors and their families.

The opposition to legalizing street vendors comes from several quarters. There are the so-called 'citizens' groups who view them as encroaches on public space, department stores and shopping malls regard them as competition and finally, municipal and police officials find it profitable to keep them as illegal entities so that they can extract bribes from them. However despite the opposition, which at times is very stiff, street vendors continue to exist mainly because they provide services to the common citizen.

Waste Recyclers

Though garbage collection and disposal is seen by municipalities as mainly a problem of solid waste management, there is also a major human aspect to it. Waste collection provides livelihood to a huge number of people. These could be viewed as different groups. Firstly, at the upper level, there are full time municipal employees who are engaged as sweepers. These people get wages and other benefits that

municipal employees are entitled to. A large part of the garbage is collected from public bins by contract labour. These are hired by contractors who are paid a commission by the municipal body for collection and disposal of waste. These workers go to various garbage collection sites (bins) in the contractor's truck and they load the garbage on to the truck. After the truck is filled, it is taken to the dumping grounds where these workers are expected to unload the garbage. Besides these categories, there are scavengers who are perhaps the lowest level in this hierarchy. They perform the most unclean activities such as cleaning toilets, removing night soil, cleaning drains. All these activities are done manually, which makes it unclean.

Waste pickers are another category with low social esteem. They earn their livelihood through collection, segregation and sale of scrap for recycling. They work in appalling conditions in garbage bins on the streets and at landfill sites where garbage is dumped.

Waste pickers are considered to be self-employed having no legally tenable employer-employee relationship either with the municipalities or the recycling industries to which they contribute. Being unprotected manual workers they are not recognized and do not enjoy any form of social security or legislative protection. As occupational communities they are economically marginalised, socially excluded and politically voiceless and disempowered.

The Second National Commission on Labour makes the following observation on rag (waste) pickers: "According to available estimates, there are 50 lakh scrap collectors in the country. The number is far greater if labourers in scrap establishments and reprocessing units are included. Waste picking ranks lowest in the hierarchy of urban informal occupations. Illiterates, unskilled persons, illegal aliens and the poorest of the poor are pushed into this occupation, as they are unable to find any other kind of employ."

The Commission notes that about 92% of scrap collectors are women in the age group 19-50. The mean age of entry of those who entered this occupation is 9-10 years. The average monthly household income is Rs. 2,233 which is below the urban poverty line. Hence we find three distinct features of waste pickers. Firstly, most of them are women. Secondly, given the age at entry, child labour is fairly rampant. Thirdly, the income of the waste pickers is below the poverty line. Another feature is that they are poor immigrants belonging to the lower, mainly scheduled, castes.

The National Commission on Labour has suggested that given the importance of their work to urban life, the authorities (municipality or government) must provide facilities and social security. At present very little is given to them. On the contrary, far from recognising that this work is very important for maintaining the urban life styles, the authorities often treat them as criminals and harass them. They prevent them in doing their work, take away their money. Besides they are susceptible to dangerous cuts and bruises, dog and vermin bites, while doing their work.

There are some municipalities such as Pune, Nashik, Ahmednagar, Pimpri-Chinchwad in Maharashtra and Ahmedabad in Gujarat that have provided identity cards so as to recognise their existence. Nashik Municipal Corporation has also provided for some social security measures. However in a city like Mumbai, where a majority of the waste pickers are based, they receive no help or recognition for their work. Therefore we can see that in most cases the state contributes very little in providing any form of support to these workers who too are citizens of this country. On the contrary, the only role the state plays is that of persecutor.

Waste pickers roam the streets daily in search of recyclable material. This involves hard and gruelling work of walking long distances, rummaging through

garbage heaps and bins, etc. They are frequently prone to cuts and bruises from sharp materials in the heaps of garbage. They are also bitten by street dogs. However the biggest threats are from the human beings. This could be in the form of being chased out of housing societies because there is a (false) belief of the middle class residents that they are thieves.

In Mumbai we found that the municipal authorities and the police harass them frequently. Waste recyclers carry large sacks where they store the recyclable materials. They carry their day's pickings to their homes, which are in shanties along the roadside or on the pavements and they sort out their collections according to the different types of material (paper, metal, glass etc). Since they do not have much space in their shanties, they do these operations on the pavements and later keep the stored goods on the pavement. The municipal authorities swoop down on them and confiscate their goods on grounds that they are encroaching on the pavements. These people thus lose their entire day's earnings. We also found that in municipalities where waste pickers are given some sort of recognition by the municipalities, they are not harassed to this extent. Their identity cards give them some legal protection.

Instances of Collective Action: Self Employed Women's Association (SEWA)

Gram Haat

Set up by SEWA in 1999, SEWA Gram Mahila Haat (SGMH) has the following three goals:

1. To provide marketing facilities, managerial and technical support and working capital assistance to the district associations of producers.
2. To enable rural producers to earn a monthly income of Rs. 2,000.
3. To facilitate the producers to become owners/managers of their collective enterprises.

SGMH works with 3,200 groups comprising 52,000 women across 11 districts of Gujarat to connect them to mainstream markets and reduce their dependency on businessmen who often exploit them. SGMH focuses on four sectors, namely, agriculture, salt, gum and handicrafts as 85% of SEWAs members in rural areas are engaged in these sectors. Moreover, women engaged in these trades have the most difficulty in connecting to the markets on their own. Their profits are considerably reduced as a large part of their incomes are taken by middlemen.

In general SEWAs efforts of linking the producers directly to the markets has helped the producers realise better prices. However, there are a lot of problems in these efforts that the women producers and SGMH have to face. We shall discuss some of these below.

SGMH is involved in other ventures that enable producers to have direct access to the market without intervention of middle-men. These include supplying agricultural products to large buyers in domestic urban centres or abroad. It is also providing training to rural women to undertake assembly of goods on behalf of industrial organisations. These form a part of SEWA's efforts to collaborate with the private sector in order to create income for the rural poor.

From the reports and the discussions with the organisers of SGMH it would appear that the most trouble free venture is of salt. The producers of salt in Surendranagar district send their products to other districts in the state where the women's organisations refine and package them and sell them in the local market. The women get 10% of the sales as commission.

The other schemes are progressing but there are several hitches in the process. SGMH has initiative of public-private partnership through its scheme known as Rural-Urban Development Initiative popularly known as RUDI. SGMH has entered

into agreements with some large companies such as Bajaj Electricals and Hero Cycles for manufacturing electric bulbs and cycles. The bulbs are marketed under the name RUDI. Bajaj manufactures the bulbs in its factory and these are sold by members of SGMH in the villages.

Similarly SGMH has entered into an agreement with Hero Cycles for assembly and sale of its cycles. The SGMH members are given training in assembling cycles and in sales. After assembling the cycles they market them in the villages.

SGMH has entered into agreements with some large buyers of agricultural products such as Cargill seeds and ITC. The farmers' products are sold directly to these companies. In fact they grow the type of products that are in demand. Cargill purchases wheat while ITC purchases sesame seeds. The latter purchases 5,000 metric tons of sesame seeds from the farmers every year. SGMH supplies 1,000 metric ton of this amount.

As mentioned earlier, besides its venture in salt manufacture and distribution, the other schemes, though successful to a large extent, is fraught with uncertainties. In most of the cases the partnership is not equal. The manufacturers or buyers, as the case may be, are not willing to share the risks. If the venture is profitable they are keen to share the profits but if it runs at a loss for a particular year, they are not willing to share the burden. For example in 2005 after promising to buy a certain amount of wheat, Cargill did not buy the entire stock. SGMH had to sell the excess amount of 5,000 metric tons at low prices in the open market.

They had a similar experience with ITC. It had promised to buy 5,000 metric tons of sesame seeds every year. In the first year the agreement took off well as the farmers got prices that were higher than the market prices. In the second year they bought less than the promised amount and a lot of the product was sold locally at low prices. In the third year ITC complained that there was no market so they offered low prices.

In the case of the other manufacturing activities, cycles and bulbs, there are problems. Bajaj is not willing to make any agreement in writing. Hence when there are profits both partners share it but in case of loss, it is borne by SGMH. The agreement with Hero Cycles is more favourable though.

Besides problems of public-private partnerships, SGMH also faces the problems of paying taxes. The sales tax authorities refuse to provide it a sales tax number as SGMH is a charitable trust. Hence though they pay taxes, they are not recognised as a registered body hence they do not get the facilities provided by the government for such activities.

SEWA Trade Facilitation Centre

This centre was formed in order to link the traditional artisans with the market so that they could increase their earnings. SEWA has registered this enterprise under section 25 of the Companies Act. It is a non-profit company. The share holders are the rural women artisans who specialise in embroidery work. The artisans do the embroidery work which the urban based garment workers convert into garments. The Centre has taken some units on rent in an industrial estate for this purpose. The workers are all women many of whom are daughters of former textile mill workers. These workers have received training in different aspects of garment making. Some of them were sent to National Institute of Design for further training.

The workers in the garment manufacturing units have formed themselves into a cooperative called Vastralay. Hence we have a company owned by rural women artisans and the manufacturing in this company is done through a co-operative.

This venture has shown some success. Its turn over rose from Rs. 1 crore in 2003 to Rs. 2.5 crores in 2006. The company has been able to market its products with companies like Fab India and Reliance Retail, besides having its own retail outlets.

Conclusion: The Need for Legal Protection

In the above sections we have tried to provide a wide coverage of informal enterprises. We have dealt with the household industries that employ five workers or less and have very low investment on one side and self-employed individuals engaged in home-based industries, street vending and waste recycling. We have also provided fairly successful cases from SEWA. The last mentioned cases were taken up mainly to show that the disempowered sections could improve their position through collective action. Let us take up the cases of HHIs first.

The cases discussed above and the rules laid down regarding registration of HHIs show that there are several problems that these people face while pursuing their activities. Firstly, we find that most HHIs are not registered. There is no mandatory provision for registration but if registered, an HHI gets some facilities such as availing of bank loans or loans from government agencies. They can also get inputs regarding production and marketing from government sponsored agencies.

Our overall impression of this sector is that the working conditions are bad and the wages are low. Monitoring work becomes difficulty as most units are not registered. The employers, on their own admissions, violate rules so that they can increase their earning at the workers' expense.

We can start looking at the positive side by trying to examine best practices in this area of work. After looking hard, we find that there are none. However the situation is bad but not hopeless. There are measures that can be taken to improve the situation for workers as well as the owners. First of all we find that the owner has a choice of being registered or remaining unregistered. One would expect the owners to seek registration so that they can avail of facilities such as bank loans and some help from the government. Most of them are short on funds and they are unable to expand their business as they have little working capital.

The owners we find are faced with a dilemma. Registration could help them secure financial benefits but it also attracts greater controls, keeping of records and visits from at least ten different offices of the municipality and the stage government to see whether he maintains his records properly etc. In most cases he is unable to comprehend the wordings in the ten different forms that he has to fill up. Even if he is literate he finds it difficult to understand the legal jargon used. Hence the owners try to weigh both possibilities, namely, get some investments such as institutional finance and some other minor facilities and comprehend and fill up different forms after visiting different departments of the government or merely run the industry on their own resources or by borrowing at market rates without dealing with these different forms and the accompanying government offices. In all the cases we came across, the owners preferred the latter course. It is also interesting to note that all cases that we studied were registered with the sales tax authorities and they paid sales tax.

This is indeed the irony of the situation. On the one hand, under the garb of liberalisation and market reforms, bigger businesses today have much government controls and regulations in their operations. Yet for the smaller ones, controls have increased or remained the same as before. Greater controls would mean greater propensity to bribe. Whatever profits the small owner earns is siphoned off through rent-seeking. Lack of institutional finance too makes the venture less viable. We found that in both cities, Mumbai and Delhi, the household industries are dependent

on money lenders who charge high rates of interest for their finance. In order to increase, or even maintain low profits, the small entrepreneur resorts to cutting wages of workers. This is the only way the entrepreneur can improve his/her income.

This situation can be changed if there is a uniform policy for all enterprises, the large ones as well as the very small ones. Our study of HHIs in Delhi and micro-enterprises in Mumbai shows these entrepreneurs want to be registered but they do not do so because it is a cumbersome process. Hence, it is absolutely necessary to make the registration process simpler. This includes a single window system for registration and the clients get access to institutional facilities such as credit. In this sector, where the owners are not much better off than their poorly paid workers, any means of improving their conditions will help workers get better wages and work in a better environment. The problem is: will the bureaucrats agree to a simpler, more client friendly system, as this would mean letting go of the rents that they earn? Nonetheless, it is absolutely necessary to simplify rules in order that the small entrepreneurs get a fair deal and are protected from rent seeking bureaucrats.

We can now turn to another important section of the self-employed, namely, street vendors. These people are the most visible entrepreneurs on the streets. We have seen that in most cities they are treated as law breakers and are the victims of rent seeking by the police and the municipal authorities. The National Policy for Urban Street Vendors could be an effective means of providing some relief these entrepreneurs. The policy has dealt in detail the various means these for improving the livelihood of street vendors by allowing them greater access to the streets. It also strongly recommends that areas demarcated for street vending has to be decided by the local bodies. These could be a town committee in the case of small and medium towns and ward committees in the case of larger cities. It also recommends that section 34 of the Police Act and the similar clause in the state police acts should be modified. This clause gives the right to the police to evict any person who exposes goods for sale in public places. It is necessary for the state governments to accept and implement this policy as it involves changes in municipal and police laws. Modification of these laws can be done only by the state governments.

The other section that we discussed was the waste pickers. These people are the lowest section of street entrepreneurs. They need to be protected in their activities. We have seen that they fall victims to harassment by the police and the municipal authorities. In places where their conditions are better we find that they are given identity cards that protect them from unnecessary harassment. Besides this they need to be given credit for helping in removing garbage from the streets and thus helping in keeping the city clean. Instead of harassing them, the municipal authorities could help by providing spaces where they can sort and store their garbage. They could also provide public facilities such as toilets and drinking water in the cities. This would help street traders and waste pickers apart from the public at large. Toilet facilities are very necessary for women in these sections.

The case of home-based workers is also very important. These workers are mainly women, most of them poor. The International Labour Organisation has passed a convention on home-based work. The highlights of this convention are that it defines a home-based worker and stresses on the need for having a live register of workers in this trade. This would enable the different countries to know how many home-based workers there are in the country. This basic information is needed for framing any policy for their protection and welfare. If the features laid down in this convention was followed, home-based workers could gain better security and thereby, greater confidence and self-respect.

All the trades discussed above have largely one thing in common. These are mainly located in slums. The street vendors, waste pickers and workers in micro-industries are slum dwellers. Similarly most of the HHIs are located in slums. Hence we can see that urban slums contribute substantially to the urban economy. As slums provide cheap housing, street vendors and waste pickers can afford to stay at only such places. Similarly, the low operational costs in the slums encourage small businesses to be based in them. Hence we find that an overwhelmingly large section of the HHIs are located in slums. This multi-functional character of the slum is useful for small enterprises as well as the workers involved. For these workers, having their work places in the slums means that they can cut down on transportation and thus save additional costs. Unfortunately city planning does not take this into account. As a result, most urban plans segregate housing from commercial activities. The plan for Delhi has this form of separation and that is why the High Court declared all shops in residential areas are illegal entities and it ordered the municipal authorities to demolish them.

In most slums there is a combination of housing and commercial activities. This, as mentioned earlier, becomes beneficial for the slum dwellers. The Draft National Policy on Slums, framed over six years ago had brought these valuable observations. It strongly advocates upgrading of slums by adding better infrastructure instead of demolishing them. It is therefore essential that the government finalise its slum policy at the earliest. It will help in the legal empowerment of the urban poor.

Finally the most important aspect of empowerment in informal employment is social security. The present system does not include these workers to any social security measures. The government has framed a legislation that would provide for social security for most of the trades in the informal economy, including the self-employed. This act needs to be introduced in the country at the earliest as it will have far reaching consequences for the empowerment of the poor.