

Labour, Institutions and the New Economic Order in India

Nirmala Banerjee
Centre for Studies in Social Sciences, Calcutta

Introduction

In the discussions of the prospects for the Indian economy in the new economic order, most experts have been fairly pessimistic in their views about the situation of Indian labour in the coming years. This gloom is not totally unjustified since India started on the structural adjustment programme with a backlog of unemployment of an order of about 16 millions in 1991/92. Also, as Mundle had pointed out (Mundle 1993), throughout the 1980s, the elasticity of employment vis-a-vis the GDP (the ratio between additional employment and an unit increase in the GDP) had been falling steadily; and even with some changes in the structure of production following a more open economic regime, it was not expected to be greater than .47 in the 8th plan period (GOI 1992). Thus while the labour force has continued to grow along with the population at a rate of about 2 percent or more every year, the organised sector employment grew by just over 1 percent in the early years of the 1990s decade (Gupta 1995, tables 22 and B). The structural adjustment programme after all has placed a lot of importance on the trimming of public expenditure and on increasing the competition facing all productive activities in order to ensure a more efficient use of resources. Therefore it was to be expected that even with a faster pace of growth, producers in both the public and the private sectors would, for some time to come, mainly be utilizing the existing considerable slack in their workforce.

The somewhat meager data that is available till date for the post-reforms period seems to support these apprehensions. In their recent writings both Gupta (Gupta op cit.) and Tendulkar and Jain (Tendulkar and Jain 1995) have highlighted the quite

significant increase between 1989/90 and 1992 in the numbers and proportion of population below the poverty line specially in rural India. The main reason for this according to them is the slowing down of the growth of rural non-agricultural employment. This was obviously due to the fact that public expenditure on employment schemes meant for poverty alleviation had been reduced in the years till 1994 as a part of the government's efforts to curb its outgoings.

However contrary to these gloomy predictions, India's urban economy seems to have fared somewhat better. Findings of the same authors indicate that in this post-reforms period, the incidence of poverty had gone up in the urban areas as well but at a much slower rate. This was a significant change from the trends in the previous decade when poverty had declined fast in rural areas but had proved much more intractable in urban areas. So much so that till 1987/88, while the absolute numbers of the rural poor had been falling, the ones for the urban areas had continued to grow. (Minhas and others 1991, Banerjee 1992). In the post-reforms year there was also some reduction in the urban unemployment rates; particularly, employment in the urban secondary and tertiary sectors has grown significantly which accounts for the somewhat better reports on the poverty front.

What is more, while the main thrust of the liberalisation policies was to encourage more investment and production by the organised, mainly large sector domestic as well as foreign corporate bodies, it is the small sector which has registered the faster growth in these years. Its production and employment have both grown at rates more than twice those of the industrial sector as a whole. Its exports too have far outstripped the rest of the economic activities. (Gupta op cit. tables 10, 11 and 12). This development has proved to be quite surprising to most experts: although immediately after the announcement of the new economic policy in 1991, the government had put forward a new policy package for the benefit of the small sector, there was a general feeling that such units might be adversely affected by the increase in competition in the more liberalised economy as also in the prices of imported inputs of both machinery and raw materials because of the devaluation of the rupee. An earlier World Bank study of similar units in other S. Asian and S.E. Asian countries had in fact highlighted such a trend in the wake of their structural reforms programmes (as discussed by Gupta, op cit.) An NCAER study too had stressed this possibility (NCAER 1993). Moreover though credit allocations to this sector from the

nationalised banks had gone up in the last few years, the Nayak Committee pointed out that the increasing commercialisation of the banking sector would leave unfulfilled a huge part of the demand for credit from this sector. That these units have performed well inspite of these apprehensions then must largely be attributed to the initiatives of the small entrepreneurs who have responded surprisingly positively to the shifts in the objective conditions of production. So far we know very little about how the process came about.

Nonetheless, the total additional employment created in the four years since 1990/91 by these small units which are registered with the state directorates of Small Sector Industries would be no more than 1.6 millions (as recorded by the Office of the Development Commissioner for Small Scale Industries). The organised sector may have generated another 1.2 to 1.5 million jobs in the same period (estimates based on the figures quoted in the Economic Survey, Govt. of India 1995). On the other hand, according to the latest government figures (as quoted in a speech in August 1995 by the Finance Secretary, Government of India) the actual increase in total employment since 1990/1991 was of the order of six millions. The additional 3 million jobs were then presumably in the unorganised, unregistered sector mainly as casual or self-employed workers in the secondary and tertiary activities. There is an on-going trend of a fast increase in the employment of casual labour particularly in the private construction industry; but in general past trends indicate that about 30 to 40 percent of the new jobs would be as self-employed or own account workers. Although in rural areas there are public schemes to promote self-employment, in urban areas this is once again at the initiative of the workers themselves.

This overall increase has to some extent vindicated the position of the supporters of the economic reforms; they have particularly lauded the small sector for its flexibility and quick adaptability. There has however been very little discussion about how these units have managed to acquire the information and the resources required to respond quickly to the changed conditions, what institutional changes were necessary for this response to succeed, how those changes came about and at what cost to whom. In this paper I propose to illustrate this process with a case study of the garments producing units of Calcutta; in a brief period of the last 10 to 12 years, this very traditional cottage-based industry has unobtrusively but fairly successfully adapted to a major shift in its demand conditions. In doing so the produc-

ers have received no help in any form from the public agencies; they have had to manage through their traditional channels for information, contacts, credit as well as timely supplies of inputs. The long-standing institutions have thus adapted well to the challenges and posed no barrier to this very complex process of change: however this continuity has a major impact on the distribution of the gains from the additional activities as also on the long-term development of the industry. Before going into the details of this process, a brief outline of the background issues is attempted in the next section.

II The Debates so far

The steady growth of the unorganised sector particularly in urban India of recent years has been noted by several scholars including Kundu and Vaidyanathan (Kundu 1994, Vaidyanathan 1994). However one finds little discussion of the implications of this growth in the context of economic development. This is mainly because of the general direction taken by the debates around labour issues in recent years. The 1970s and the early 1980s saw a plethora of research on the unorganised or the informal sector in Indian cities (e.g. Lubell 1974, Joshi and Joshi 1976, Papola 1981a, Banerjee 1985 etc.). There was also a lot of work done on the segmentation of the labour market and the linkages between the 'formal' and the 'informal' sectors. In this literature the question of the contribution of the latter sector to the economy had come up fairly early: in answer to that, the early writings which were mainly in the framework of the ILO studies in the World Employment Programme had depicted the informal sector as a separate segment of the economy which worked as a strategy of the poor in search of survival. Later, most empirical studies in India of sections of such activities put a much greater stress on the continuity between the formal and the informal sectors (Bremmen 1976, Kannappan 1985). There was obviously a lot of overlap between the two: not only did they often share their markets but also the owners. The more productive work in the latter was put out or sub-contracted by the former in order to avoid the application of direct taxes or labour laws; or it was to get round government policies of reservation of some activities for the small sector. On the other hand the rest of the activities in the unorganised sector such as petty trade were recognised for their importance for the survival of the poor, but their contribution to the GNP was

considered negligible because of their low productivity. On the whole therefore though the unorganised sector workers were certainly a part of the labour force, they were not considered important as *autonomous* agents operating in the economy.

This entire debate based on those empirical studies remained engrossed with the nature of the unorganised activities and their links with the rest of the economy. Little note was taken of the fact that most such studies were essentially confined to particular points of time and that there had been no serious research on what changes were taking place in the sector as a whole over time through economic development.

Labour in the Economy

One reason why the appraisal of the unorganised sector has been so lop-sided in labour literature is because of the way labour in general is perceived in the discipline. The demand for labour is basically a derived demand depending on that of the final product of the activity utilizing it. In that sense the initiative for generating the demand for labour lies with the entrepreneur who takes decisions about the scale of the operations and the technology to be used in the production of the final commodity. It is of course recognised that labour is not just another inert factor of production. As Bowles had pointed out, the labour market is distinct from other markets because the agents i.e. the workers who enter the contract as sellers of labour are themselves affected by the conditions set in the contract. Also, the enforcement of the contract is significantly dependent on the labourer himself (in the sense that labour effort and not just the labour time is a consideration in any assessment of the fulfilment or otherwise of the contract: therefore the *ex ante* contracts are never complete). (Bowles 1985 and Bowles 1991 as mentioned in Rodgers 1994). In spite of these provisos, academic perceptions still leave out of consideration the fact that besides providing labour effort, workers also have the potential for enterprise. At the microlevel, any worker who fails to get work at the going wage rate does not or cannot sit idle unless there is some system of social or private insurance to provide for his or her basic needs. Since in India this is not available to many, the worker, if rejected in the wage labour market, has still to find a way to survive. So if no labour contract even at somewhat inferior terms is forth-coming, the worker perforce reenters the economic scenario as a self-employed person: in doing so however, he or she harnesses more inputs than the ones offered in the wage labour market; these include

traditional skills, market information, knowledge of the locale as also whatever physical capital that can be mobilized.

Even if these initiatives are now acknowledged in labour literature, they do not find a place in the development literature except as a short-term individual strategem because the rate of success of those activities has been very low in the past. Many studies have shown that, given the imperfections in the Indian capital markets and knowledge systems there are few success stories of the rags to riches variety in India. (Papola 1981b, Banerjee 1982).

The Self-employed

But surprisingly, of late the activities of the self-employed have in fact steadily expanded and most of the people involved in them have succeeded in avoiding the poverty trap. One explanation of this would probably be acceptable to most observers of the Indian scene: over the recent years the Indian economy has not only expanded but has also acquired a new depth and complexity. This is reflected in the steady diversification of the range of goods and services available in the markets and in the ready availability of varieties and near substitutes in each case. The gap between the rural and urban availabilities is also being swiftly bridged. For all this to take place on a scale required by a country as vast as India had no doubt required an enormous input of initiative and enterprise of several kinds. It would not be unwarranted to assume that a significant portion of that initiative had come from the self-employed. In fact in a dynamic situation with quick changing markets the self-employed may, in theory, enjoy some special advantages inspite of their lack of ready access to physical capital because they would be more willing to try unorthodox methods. Whether or not this initial advantage ultimately compensates for the persistent limitations placed on them by their imperfect and informal channels of specially information and capital remains to be examined.

Institutional Changes

In the growing volume of work on the impact of labour institutions on economic development, the main focus has been on the formal ones. Particularly, India's existing labour laws and trade union policies have come under a critical scrutiny in view of the need for greater labour flexibility in the new economic order (Kannan 1994, Papola 1994). There is also a substantial literature on some informal but traditionally strong labour institutions like

the gender-based division of occupations, traditional caste- and community- based skills etc. which has examined the impact of development on these institutions and the people involved. Several of these studies have shown how the process of development had marginalised particular groups because of the fetters placed on them by traditional institutions. However, unlike in the analysis of Stiglitz and others of the traditional agrarian institutions, (Stiglitz 1986) few of their counterparts in Labour Economics have addressed the questions as to why these traditional institutions prove so difficult to remove, whether or not they do make some adaptations to fit in with the requirements of the modern economy and most important, what function they play in the ongoing system which an alternative system of institutions will have to fulfil in order to replace the earlier ones successfully.

III The Garment Industry of Calcutta

In considering the case of the garment industry in Calcutta my aim then is to examine a) the claim that in a fast changing market, small decentralised initiatives do have an advantage and if so how far does it go. And b) what is the logic and the limitations of the several commonly found traditional institutions in the context of a rapidly changing economy.

The garments industry has long been a fixture of the Calcutta scene and two previous studies of it are available which provide a benchmark for the present one. In the 1960s, Lala, a student of the Anthropological Dept. of Calcutta university had done his doctoral work on one of the 'Darjee' i.e. tailor villages of this area and in the report he had provided a brief history of this industry as it had come to develop in the city. Apparently the marshy region just south of the city limits then had been settled sometimes in the 18th century by some families of poor muslim peasants; in the middle of the 19th century they came in contact with some upcountry muslim artisans -mainly tailors- who had been brought to the city as a part of the entourage of the Nawab of Awadh when he was dethroned by the British and made to settle in the nearby area of Calcutta called Metiabruz. The local peasants learnt their skills and took up the tailoring work as a supplementary occupation. Soon these areas became an integral part of the city with the Calcutta port and several jute mills coming up in the vicinity. At the turn of the century the tailoring

community was flourishing. It regularly received government orders for uniforms of all kinds: also, the darjees had by then become proficient in making European male and female clothes of high standards for the white and brown 'sahibs' of Calcutta. The Europeans brought design and pattern books from abroad from which the tailors developed skills for copying designs, sizing them as well as cutting and stitching highly sophisticated garments. As with all artisans these skills were then preserved and transmitted within families and generations; this still constitutes the basic pool of skills of this region. Gradually the more respected artisans came to be fully engaged in fulfilling orders from the Calcutta tailoring shops; but another large section earned a living by making ready-made garments for sale in the weekly markets of Howrah -the Mangla Hat - and elsewhere in the city. These garment makers served a market spread all over eastern India. Lala had noted that with the departure of the 'sahibs' the orders for expensive made-to-measure clothes were declining and the darjees were in great uncertainty.

Romatet (Romatet 1983) who had studied the same industry in early 1980s gave a not dissimilar picture of it. His main findings were:

1. It was difficult to give an exact estimate of the numbers of units and people involved in the industry since most households in the Metiabruz/Maheshtala /Nungipur and other nearby villages and semi-urban areas of the Garden Reach that either regularly or occasionally took up tailoring work. He gave a rough estimate of there being about 150 thousand such workers.
2. The units were overwhelmingly organised for home-based or cottage industry type of operations; in each there was a master-tailor or an 'ustagar' who was its owner proprietor as well as the most skilled worker. The production work was done by family members and some piece-rated hired workers.
3. The units either worked on orders received from Calcutta shops or from sub-contractors of agencies requiring uniforms etc. But increasingly they were moving towards making ready-made garments for the weekly markets. It is worth noting that this latter activity was essentially in

anticipation of demand and involved an element of risk-taking.

4. For this latter business the tailors' requirements of working capital were being met mainly by the cloth merchants who supplied all inputs on credit; the terms were for repayment within a week, a fortnight or a month and certainly not later than the next Bengali new year. The rates of interest were very high: there was a 5% markup on prices of materials for ustagers who cleared their outstandings within a week. For a longer period the rates were even higher.
5. Of the total gross value of sales of the garments not more than 20% went to the labour: this included not only the stitching and finishing charges but also the returns to the 'ustagar' for risk-taking as well as for designing and cutting the garments. In addition these were to cover charges for his use of his own premises and machines for the business. Consequently the owners rarely managed to build up their own working capital or to get modern machines.
6. Almost none of the units were registered; nor had there been any official or other effort to look into the requirements of this industry inspite of its large size.

In the years since these surveys the perceptions of officials, academics and people who claim to be knowledgeable about Calcutta had remained more or less unchanged: as before the darjee system was regarded as a quaint carryover from the past preserved in its original state by the somewhat isolated status of the Muslim community and still one of the convenient and cheap services that added to the quality of life in Calcutta. In the meanwhile India's garment industry was supposedly making great strides in the export markets but Calcutta was not among the sites of the export business.

Our perceptions about the Metiabruz darjees too were not dissimilar till they received a sharp jolt in August 1992; we had gone there to investigate the conditions of the many workers who had been thrown out of jobs by prolonged lockouts in several large industries in the adjacent port and Garden Reach Municipal areas. When we got there however we found the place bustling with activity: although it was a holiday, there were no loitering youths or kids playing on streets as is usual all over Calcutta. The

local political workers told us that the garments industry was enjoying a boom in which not only the local unemployed including the ex-industrial workers had found work, but increasingly labour was being attracted from rural south west Bengal and even Bangladesh. It was to check these trends that we undertook a more detailed study of the industry in 1993.

The Methodology

Since the entire industry here is unregistered with loosely defined territorial boundaries, we could not undertake a systematic sample survey with our limited resources. Instead we devised a methodology where over a period of one year, a trained observer would regularly visit the areas of Budge Budge, Byanjanberia, Maheshtala, Padirhati, Pachur, Chandanpur and Memanpur where the industry was at its densest. He would continuously record his observations of the day-to-day happenings and also establish a rapport with the local people who, specially after the riots of 1992, were very suspicious of outsiders. He also regularly visited the Karbala and the Bartola markets on their respective working days in the different seasons and talked to the buyers and sellers. Through his reports myself and my colleague Nripen Bandyopadhyay collected a sense of the trends of events and also located the people who could provide reliable information. On that basis we visited the "darjeepara" or this tailoring area around Metiabruz area several times to talk to a number of knowledgeable persons in the area.

The Broad Facts

The broad findings of the our study were:

1. The industry was undergoing a major shift in its demand conditions. The dress habits of Indian people in general were changing rapidly from mainly woven goods - saris, dhutis and loongis- to stitched cloths -dresses, skirts and blouses as well as 'salwar/kameez' for women and shirts and trousers for men. Also people were shifting from made-to-order cloths to buying off-the-peg cloths. The market for clothes was getting diversified to cater to demands of different income classes, age groups and back-grounds. This had created a huge and complex demand for tailored and stitched clothes. The sophisticated skills of the Calcutta tailors were being harnessed for that.

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2. Given the methodology, our estimate about the spread of the industry is essentially impressionistic. In the area with which our field worker grew familiar, he had counted about 8000 plus production units or 'daliij' as they are locally known and around 65000 workers. This however was by no means the total area nor did it necessarily include the workers who did the put out work for the local ustagars. It is possible that Romatet's estimate of about 150 thousand workers had by then been exceeded.
3. The most concrete evidence of the expansion of the industry is the development of several market complexes within the locality. The most remarkable of these is the Karbala market which has come up since 1985. It is now a mile long narrow road with privately owned built-up structures on either sides: these structures house over a 1000 stalls each of which has been sold at Rs.70000 to Rs.100000 to various ustagars.

In general land in the area has shot up in value from Rs.8000-10000 per katta (equivalent to 80 sq. metres) around 1985 to Rs.80000-Rs.100000 between 1985 to 1993. all vacant land or old ponds are being acquired for building more market complexes.
4. The Karbala market is meant exclusively for wholesale trade in garments directly between producers and buyers. Most ustagars or owner/proprietors of the household based garment units sell their products in lots of at least a dozen. Buyers are retailers or their agents from all over India including those from as far as Bombay, Madras, Tripura and the whole of Eastern India. They bring their own means for transporting the goods - trucks, vans, three-wheelers etc. A deal could be for as little as Rs. 1000 or Rs.50000. The market is open from 6 a.m. to 6 p.m. on Sundays and Mondays. Some buyers may place orders and give an advance for future supplies with a particular stall owner, but usually the deals are for on-the-spot cash sales for the available goods: nowadays the regular customers are sometimes allowed to pay by bank drafts.
5. Traditionally, the darjees used to collect their input supplies from cloth merchants of the Burabazar area in North Calcutta and transport them back to their locality

south of the city at their own cost. Now however the merchants have set up their own market nearby at a place called Burtala where they have stalls for selling the same inputs at prices identical with those prevailing in their Burabazar shops. For the larger buyers they readily deliver the goods to the ustagar's residence without any extra charge. This input market is open on Thursdays when the darjee units enjoy their weekly holiday; but on the days when the Karbala market is open, some of these stalls are also kept open for the convenience of the darjees.

6. Although the cloth merchants still supply all inputs to the ustagars on credit as before, in the recent enquiries there was no mention of any interest being charged on those loans. Instead the emphasis was on the merchants encouraging the latter to lift as much material as possible on extremely flexible repayment terms so that the business volumes of both the merchants and the darjees can expand further.
7. The earlier reports had mentioned that many women of the locality were working on finishing operations either in their own family units or on piece rates for others. We however were told that few women now worked on such tasks; most were now busy doing household chores for their families which increasingly include cooking meals for the workers who stay with the ustagar's family during the working week.
8. Partly, this withdrawal of the women from the visible labour force could be a sign of the increased prosperity of the unit-owners: many of them are obviously prospering and are renovating their houses, buying cars, vans and two-wheelers and looking for English medium schools for the children.

What Has Changed?

Several aspects of this transformation are truly remarkable. First and foremost is the way in which this very cloistered industrial community came to be conscious of the changing market prospects and responded quickly and smoothly to the challenge. There is a story about how a few ustagars were persuaded by some cloth merchants to use odd pieces (chhaat as these are

known in the trade) from mill supplies or mill seconds (those rejected at the quality control stage) from western India to make children's clothes for the weekly markets; these soon got an all India market which set the ball rolling. But this still leaves unanswered the questions as to how this cheaper material lengths became available in the Calcutta market and how buyers from more and more distant markets got the information about Calcutta's competitive prices and expertise in garment making. There is no doubt that there is a very sensitive and effective all India market network of which we know little.

Secondly it is equally remarkable that the darjees who are mostly illiterate are nonetheless able to continuously get hold of the latest designs and fashions in order to survive in this essentially volatile market. We were informed that a few ustagars visit Bombay once or twice a year to make undercounter purchases of fashion books of some of the big houses. But mostly, the master tailor successfully copies designs from television or cinema shows, draws paper patterns from those and sizes the garments as required. And he does it well enough to convince buyers from all over India of the authenticity of the design.

The transformation of the relations between the cloth merchants and the ustagars is no less remarkable. A very old tradition of giving inputs on credit with interest charges has been quickly replaced by a new arrangement where the former are now seeking to encourage the latter to get more and more material on credit by removing the interest charges. The reason for this change of heart presumably was that in the earlier era, the merchants did not believe that lowering the costs to the garment makers of credit would give a sufficient fillip to their overall businesses for the cloth sales to expand significantly in their turn. At that time also, levying steep interest rates would not have negatively affected the existing demand for cloth since the ustagars had no alternative source of credit. The same merchants however were very quick to realise that these conditions had altered materially sometimes in the last ten or fifteen years; the potential demand level had presumably shifted outwards, but at the new level there was probably greater competition facing the garment trade; so unless the ustagars could cut their costs, they would not have been able to expand their market volume significantly. In the new arrangement, the loss for the cloth merchants of receipts as interest on the advances was expected to be made up from the margin on the increased sales of cloth. For a group of businessmen whose links with each other are not formalised and

who are not known to have resorted to any kind of a formal market survey this was a remarkably quick assessment of the changes in market conditions and an equally quick response in the form of a strategy to benefit from it. It is possible that in the absence of any formal bills of sales, the merchants had devised some method of avoiding payment of local taxes levied on retail sales while charging these buyers retail prices as before; this would give them an extra margin of as high as 10 to 12 percent; but there is no reason to believe that the merchants were not doing this all the time. And this still leaves the question about how the merchants have been managing to bring in so much extra cloth without attracting official notice; we have not found an answer for this.

The quick emergence of the Karbala market is also a notable achievement for which there was no contribution from any kind of public authority. It appears to be a spontaneous reaction of some local landowners who had observed that lately, many outstation buyers instead of awaiting for the darjees to take their produce to Mangla hat, had started to come to the latter's residences; they realised that this was an opportunity to utilize their vacant land as markets for these sales. Obviously this served a felt need of the ustagars because the costs of transporting their wares to Howrah were becoming quite steep. Also, on the way to and at the Howrah market they faced a growing menace of antisocials who insisted on levying a cess on all the sellers coming there. A market in their immediate vicinity and under their own control has therefore been sufficiently attractive for the producers to be willing to pay very high prices for the stalls.

Each and every one of these very radical but business-wise sound arrangements came about through the reactions of a set of low-profile, often isolated and wholly traditionally oriented agents. It is worth emphasising that neither any state agency nor any communal authority played a role in their planning, execution or management at any stage.

What Has Not Changed?

Equally remarkable is the list of the continuities in the process. Foremost of these concerns the organisation of the production units. Apparently, the entire production is still carried out in the household based units or 'dalij'. More and more of the ustagars are now entrepreneurs because usually there are no standing orders to follow; they decide on the designs, materials, the scale of output, and the number of workers required but continue to

mainly use family (mainly male) labour for the work. Some of the larger units use hired labour on piece-rates ; they also put out a section of the work to local units when business is brisk. But there are few cases where the unit itself has expanded beyond the capacity of the ustagar's home; nor has there been any change in the technologies used. The expansion of the work has led to the purchase of a few more sewing machines; but these are hard to distinguish from the earlier ones. The cloth is still cut by hand-held scissors; if its load increases the ustagar may hire a worker temporarily. In general the scales of operations in each unit are still within the boundaries manageable by these arrangements. The overall increase in the scale of operations has come about by the multiplication of the number of units of the same kind.

In the same way, as Romatet had pointed out, the units still continue to specialise by products. There are a few units whose ustagar sells a number of different products from his stall: but while he may have designed and even cut the material as required, he usually then puts out the work to other sub-contractors at a fixed rate. The majority of the units keep to a very small list of products for making and selling: work on variations such as an extra bit of embroidery are put out to other units. In fact the specialisation extends to the village as a whole. For example, Padirhati, an old settlement in this area specialises in making men's suits and better cut trousers. In Memanpur on the other hand all the dalij except one specialise in making men's full-sleeved and half-sleeved shirts. In another village near Budge Budge most units work on making boys' shorts out of men's second-hand trousers.

As before the training and transmitting of skills too is still being done by traditional methods: children, including apprentices from outside, come and stay with the ustagar. At first they merely do the cleaning and running of errands for others; then mainly by observation they start absorbing the skills. If exceptionally bright or a family member, an apprentice may be taught higher skills like designing and cutting by the ustagar himself. Since the units specialise by products the training too remains specialised unless the apprentice changes jobs from time to time. Even allowing for the fact that the average level of skills here is exceptionally high, this is a serious barrier to workers' mobility and adaptability.

Most important, the ustagar's dependence on the cloth merchant for advances of materials on credit has remained unaltered. Even if the terms of credit have eased, the arrangement

ties him to a particular shop and probably to the quality and variety available there. And even when his purchases expand considerably he cannot get them at the wholesale rates.

Behind the Scene

Behind the apparent boom in this area, there are some disturbing trends. One of them is the depressed and uncertain livings available to the workers. Like Romatet we too found it difficult to get hold of reliable wages, costs and pricing data: but close observation indicated that on an average, a worker's daily income was about Rs. 30 to 35 in the busy season, but could still fall to an off-season low of Rs.15. Labour charges worked out to be about 10 % of the wholesale price of a garment. While material costs have gone up significantly, piece rates to workers have not increased commensurately. In 1993 a worker in Metiabruz got only Rs. 2.50p per piece for stitching men's trousers; another got Rs.5 for cutting a dozen according to the design set out by the master tailor. For the same work a shop in Calcutta would pay per piece Rs 5 to the designer/cutter, and Rs 30 to the stitcher; the shop charged the customer Rs. 60.

The reason for this is quite obvious: although the trade had increased several folds, the region is attracting a vast influx of labour from elsewhere. As a result even with near full employment, there is little improvement in the bargaining position of the wage workers. Indeed it has been widely acknowledged that their remarkably low prices is the main selling point in favour of the Metiabruz producers. And this is possible mainly because labour costs here are probably the lowest in India.

The exceptionally low prices of the final products and the concomitantly low wage rates prevailing in this area are both the results of the fragmentary manner in which production here is organised and the shortness of the time horizon that is set by the producers for their operations. As small self-employed producers depending on their weekly turnover for sustaining their activities, the ustagars have no staying power: on each market day they look for a price which will clear the market and not leave them with unsold stocks. As a result they continuously undercut each other and drive down the prices. And since labour costs and their own returns are the only two variables under their control, that is where they make their own savings.

On the other hand a class of ustagars has actually made considerable gains through the new marketing practices and their ready responsiveness to fashion changes. We found that if the

design was a winner with the buyers then their presence in large numbers on a market day could bid up the price of that item and the ustagar could charge a margin of as much as 100 % on it. In other cases, specially of those who worked on orders from others or on standardised items like overalls the margin could be as low as 10 %. These trends have resulted in growing income and wealth disparities among the darjees and between the ustagars and their workers.

The surprising fact is that this growing prosperity of the more successful ustagars has made little difference to their business practices and specially to their dependence on the cloth merchants. Their tie-up with the merchants is probably due to the likely costs involved in making alternative arrangements for input purchases; even if cash purchases were to expand the ustagar's choice horizon for the inputs and allow him to make purchases at wholesale prices, he would have to spend time and money to locate the alternative materials and cart them to his work-place. His scale of operations being small, this is not an efficient arrangement from his point of view. Instead for a successful ustagar, the cloth merchant himself probably undertakes the trouble of finding better sources and new kinds of inputs with no extra cost to the buyer.

This still leaves unanswered the question why this boom has not led to any upgradation of the scales and styles of the units' operations. There is as yet no instance of this: there are no large garment factories coming up at the initiative of either the local successful entrepreneurs or of any outside capitalist. This may be for two reasons: there is a general antipathy to organising businesses on a large formal scale in W. Bengal because of the threats of trouble with politicized trade unions. This would be a major consideration particularly for a labour-intensive industry like garment-making. Secondly, there is in fact a group of capitalists involved in the industry viz. the cloth merchants. For them the existing arrangement has proved to be particularly benign. They have been able to increase their cloth sales by a huge margin while undertaking no large overheads; they have no responsibility for sales of the final products except at their own choice. And the darjees are a good security risk for their lending operations because the latter are unlikely to desert the business or the locality. They therefore have no incentive to enter as the risk-bearing entrepreneurs in this highly competitive market of fashion-oriented garments.

The unit owners have surprisingly never thought of organising any co-operation in their activities to secure better returns for their work. One explanation for this inertia is their reluctance to seek the necessary registration with any authority for their units. Almost none has even a trade licence which would cost him no more than Rs. 25 or so per annum. The resistance is partly due to their world view that the outside world is inimical to them as a community. Many seemed to believe that such a registration would make them immediately liable to direct taxes on their earnings and to labour laws about working conditions and minimum wages. Reports are that most of these apprehensions had been further fanned by the cloth merchants on whom the ustagars depended a lot for their information about the outside world. We tried to explain that such a registration would be essential to get production loans from the formal credit giving institutions: but the ustagars knew of few instances when such loans had reached anyone of their backgrounds. (In fact throughout the industry in this area, we found only three instances when banks had given some loans). And if they intended to carry on as before they were not particularly interested in getting those loans.

IV Conclusion

In most discussions of institutions vis-a-vis economic development the state is considered to be one of the major actors in the process. It not only provides a historical continuity to the existing institutions but is also the main arbiter of the directions of the coming changes. And the more active and wide-spread becomes the reach of the markets in a given economy, the more important is the role of the state for monitoring the increasingly more impersonalised contracts and for minimising the costs of externalities. However, it is the peculiarity of the situation under consideration that the state here has not only not taken any such initiative but has failed even to take cognisance of the existence of these activities. It is indeed difficult to explain how and why it could remain ignorant and indifferent to these developments which were taking place right in the middle of the Calcutta metropolis and involved several thousands of workers and a turnover in the vicinity of Rs.20 billion a year. But that being so, several of the basic needs of the region and of the people involved in the industry remain neglected. For example, the area badly needed marketing facilities provision of which is normally

regarded as a municipal function; however in the absence of the local authorities taking action, the new complexes are being built by private agencies. The state agencies have not even monitored these activities to ensure that they conform with existing area planning regulations. As a result not only is the entire region now prone to traffic bottlenecks, drainage problems and rampant land speculation ; but there is also a lot of tension on communal lines because initially most of the vacant land was owned by Hindus who resent the recent efforts of the tailors who are Muslims to wrest it from their control.

For the industry, the more immediate impact of the neglect by the state has meant that, at a time when the market was extending to include new and unfamiliar interests, there was no authority available to devise a way to monitor these contracts between frequently changing and unfamiliar partners. As a result the transaction costs of organising deals and ensuring their enforcement remain a major consideration to the ustagars and also to the cloth merchants. In reaction they have opted for the continuation of their earlier practice of limiting deals to familiar parties. This is an important reason why the industry continues to operate on the basis of household units.

Since the majority of the producers are self-employed, the other common problem is finding financial capital for innovations serving a fast growing market. In economic theory it is assumed that faced with a growing demand, an entrepreneur would try to shift to a technology which minimizes his unit cost of production. However actually what he is interested is to minimise his production plus transaction costs per unit; this fact is not considered important in the experience of the developed countries because of the ready availability there of the state's monitoring and contract enforcing services (Mathews 1986). However, in the situation in view, for the ustagars to get capital for technical innovations embodied in expensive machinery is difficult: the state has so far showed no willingness to assist the growth of this industry by readily extending to the owner /proprietors credit on suitable terms. Therefore the most suitable strategy from the latter's point of view is to concentrate on minimizing the transaction costs while keeping to their traditional techniques of production.

Nonetheless there have been some very quick changes in the institutional setup which have facilitated the industry's remarkable growth. Because it was the cloth merchants who initiated many of these, the subsequent developments have moved largely in their favour. They have actually forestalled the possibilities of

any alternative pattern of development emerging in the region; they have allowed most of the ustagars to earn a better share in the gains from the increased trade by reducing their costs and by allowing them to smoothly increase their turnover and switch to more rewarding kinds of activities whenever they have wanted to do so. The latter therefore have no incentive to look for other ways of growing. It is the wage workers alone who have not made very significant gains in spite of the expansion and prosperity of the industry. And they have little scope fortifying to change the balance of events.

A last point: the Metiabruz industry has obviously shown an enormous degree of flexibility, skills and innovativeness in response to a fast expanding but volatile market. Nonetheless none of the units here have built up a regular clientele: nor do any of them appear set for building a brand name or entering the export markets. Many mentioned the possibility that some outstation buyers may be reselling the products bought from here under the latter's brand names even in the export markets. This is not very plausible: the supply from even the very large ustagars is not standardised because the work is partly or wholly put out to a number of smaller units. Also, the organisation of the business is such that the entire production operation is geared to a very fast turnover. The workers are interested in increasing the number of pieces produced; the ustagar's income too depends on selling off last week's products as soon as possible in order to take up a new lot. In these circumstances there is no possibility of the necessary quality control or uniform standards of production that are essential for getting brand loyalty or steady export orders.

The business nonetheless continues because the lots produced are small and the market for ready-made garments in India is not only large but also multi-layered. Almost always the products find a buyer although the price may vary widely from lot to lot. Our interviews showed that all the parties involved were themselves quite fatalistic about the future prospects of the trade. They were merely trying to make as much of this boom in the short run as they could.

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