

TIES THAT BIND: A STUDY OF THE RURAL INFORMAL ECONOMY IN INDIA

by

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## **Abstract**

The informal sector in India, as in other developing countries, is a source of employment and livelihoods to an overwhelmingly large proportion of workers, both in rural and urban areas. The sector is very heterogeneous and consists of both traditional and modern activities which vary widely across regions and occupations. Although the urban informal sector has been widely studied, not much work has been done on the non-agricultural rural informal sector, which has witnessed significant growth over the last several decades.

The present study explores the functioning of the rural informal sector in Bihar, one of the most populous and backward states of India with a high incidence of poverty and low human development indicators. Based on case studies of two sectors – textiles and food processing – and using both quantitative and qualitative data, this study profiles the nature and characteristics of the sectors, and examines the roles of social networks and institutions in its functioning. Drawing from the economic sociology literature, it tries to understand how social networking in the rural labor market can affect economic outcomes.

The findings of the study indeed show that it is difficult to explain the functioning of the rural informal sector on the basis of neo-classical economic theory. The research findings illustrate a unique kind of social networking in the rural informal sector arising from caste and religion, which can be associated with the Granovetter's embeddedness theory.

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## **Dedication**

To my grandparents Smt. Janki Devi and Shri S.N. Jha, for instilling in me the value of learning.

## CHAPTER 1 - Introduction

*“My image of the ‘citadel’ was too simple. The organized/unorganized boundary is not a wall but a steep slope. Indian society is like a mountain with the very rich at the top, lush Alpine pastures where skilled workers in the biggest modern industries graze, a gradual slope down though smaller firms where pay and conditions are worse and the legal security of employment means less a steep slope around the area where the Factories Act ceases to apply. A plateau where custom and the market gives poorly paid unorganized sector workers some minimal security, then a long slope through casual migrant labor and petty services to destitution.”*  
(Holmstrom, 1984: 319).

The introductory quote by Holmstrom from his richly documented study of India gives a glimpse of the many facets of the Indian labor market. This quote describes the landscape and the sharp dichotomy prevailing in the Indian labor market between the formal (organized) and informal (unorganized) sectors. While Holmstrom addresses the broader picture of the formal and informal landscape of the Indian labor market, the present study will principally be directed toward the informal sector, comprising a large proportion of the Indian working population. Further, the study will argue that the labor market at the bottom level – in rural India – has the appearance of a vast plain, dotted with many large and small hills formed out of social institutions such as religion and caste. The study will describe the uniqueness of the Indian rural informal economy, which is characterized by heterogeneous ways of employment generation and closely linked markets. The purpose of this research is to explain the characteristics of the rural informal economy by examining the nature and structure of the informal economy prevailing in two rural sectors of India – textiles and food processing. The study will focus on the social ties formed on the basis of factors such as caste and religion that bind the hierarchical structure and operation of the rural informal economy. In some regions of India, these social ties and

institutions provide a framework for economic activities. The study is based on a field research conducted under the aegis of a larger project, '*Impact of Globalization on the Unorganized Sector*'. The project was sponsored by the '*Indo-Dutch Programme on Alternatives in Development*'. In this study, the terms 'informal economy', 'informal work', 'informal economic activities' and 'informal sector' are used interchangeably. Further, the study does not cover illegal activities.

**The major research questions to be addressed by the study are:**

- How can we characterize the rural informal economy in Bihar, a state in eastern India?
- What are the factors affecting the functioning of informal sector in the rural areas of Bihar?
- How does social networking help in the functioning of the rural informal sector in Bihar?

***The Informal Economy: Definition and Characteristics***

An informal economy, as defined by Castells and Portes (1989, p. 12), is a process of income generation in a sector that can be characterized as being unregulated by the institutions of society in a legal and social environment. These kinds of economic activities operate beyond the neo-classical market economy but function within the legal and social environment. There are no taxes paid for informal economic work, so the revenue generated is not included in the gross national product (GNP) of the nation, and thus remains invisible in national income accounting.

Although there are divergent views about the informal economy, the concept of the informal sector emerged in the early 1970s out of a series of studies on the urban labor market in

South Africa undertaken by Keith Hart, an economic anthropologist working with the International Labor Organization (ILO) (Hart, 1973). Hart postulated a dualist model of income opportunities for the urban labor market, based largely on the distinction between wage employment and self-employment. Later, the modified definition of the informal economy was applied to labor markets of other developing nations and was studied through different approaches related to urbanization and under-employment (Tokman, 1982). The characteristics of the informal economy that emerged from these studies show that it has a low level of organization and has little or no division of capital and labor as factors of production. Mazumdar (1975) adopts a similar approach but bases his distinction between informal and formal workers on whether or not they receive protection from the government and/or trade unions.

A sizable literature has continued to draw attention to the disparate, irregular and fluid labor system functioning in the informal economy over the last three decades (Maher, 2007; Elyachar, 2005; De Soto, 2000; Breman, 2001). Various labels have been used by scholars to refer to the informal economy; it has been called the 'irregular economy' (Ferman and Ferman, 1973), the 'subterranean economy' (Gutmann, 1977), the 'underground economy' (Huston, 1987), 'black economy' (Dilnot and Morris, 1981), and the 'shadow economy' (Cassel and Cichy, 1986). While on the one hand, some scholars have condemned this economy as 'illegal' and 'unproductive', on the other hand, it has been viewed by many as providing a solution to the growing problem of unemployment by ensuring a livelihood for a large section of the population, particularly the poor. The informal economy caters to all kinds of needs, following rules like the

traditional *laissez-faire*<sup>1</sup> system. That is, where there is a high demand for a product, there is an opportunity for business. These unregulated markets carry several benefits for all kinds of workers. They take into account the most vulnerable workers such as women, street vendors, home-based workers, family workers with or without wage payments, and workers in micro-enterprises, often with very little physical capital ( for example, handicraft and cottage units, and similar labor-intensive activities).

Studies on the informal economy in developing countries have noted that employment in the informal economy comprises almost one-half to three-quarters of non-agricultural employment in various countries of the developing world. It is estimated that it generates about 48% of non-agricultural employment in North Africa, 51% in Latin America, 65% in Asia, and 72% in sub-Saharan Africa are in the informal economy (Chen, 2007). If South Africa is excluded, the share of informal employment in the non-agricultural industries rises to 78% in sub-Saharan Africa (Chen, 2007). If comparable data were available for countries in South Asia, in addition to that of India, the regional average for Asia is likely to be much higher. Further, some countries include informal employment in agriculture in their estimates of informal employment. In these countries, the inclusion of informal employment in agriculture increases the proportion of informal employment significantly: from 83% of non-agricultural employment to 93% of the total employment in India; from 55% to 62% in Mexico, and from 28% to 34% in South Africa (Chen, 2007).

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<sup>1</sup> *Laissez faire* is a theory or system of government that upholds the autonomous character of the economic order, believing that the government should intervene as little as possible in the direction of economic affairs.

While all these studies are valuable for assessing a wide variety of informal markets, a majority of these studies consider the informal sector to be a part of the urban economy. Very little research has addressed the nature and characteristics of the informal sector in rural economies, which have an abundance of informal markets and provide a unique opportunity to observe its various forms. The rural informal sector is formed out of traditional ties and social network plays an important role in functioning of its labor market, which is more or less missing from the social science research on the informal sector. One exception to this is the work of Maher (2007), who has cursorily discussed the issue of social ties in her book titled *Sexed Work*. She has argued that the absence of formal regulation allows race, ethnicity, class, gender and other social ties to play the organizing role in the constitution of the informal economy, specifically the sex trade (Maher, 2007, p. 64). These social factors play a much more important role in the functioning of the rural informal economy of India compared to the urban informal economy. Given this context, this study attempts to follow Maher's work on the role of social ties in organizing the informal sector, to the case of rural India, where caste, religion and other ties play the organizing role in forming the structure of the informal sector.

### ***Modernity and Indian Society***

Modernization, as a multi-faceted process of transformation, has changed the fabric of Indian society in many ways. As in most other developing countries, the linear model of First World development did dominate the study of social and economic change in India too, and it occupied a prominent and influential presence in the realm of state policy. However, for India, modernity, together with its contrasting twin, 'tradition', are ubiquitous themes dominating the social structure. In India, as in many of the non-Western developing countries, the themes of

modernization, development, growth and progress have been part of the much wider canvas of the colonial encounter, particularly since the latter half of the nineteenth century (Deshpande, 2003).

India is an enormously diverse country characterized by broad variations in language, religion, geography and politics across its territory. Above all, the complex caste system dominates the social structure in the country. While being constitutionally secular, India is predominantly Hindu, though with substantial religious diversity. The Indian caste system divides people into four main castes or *varans* (*Brahmins*, the priests, *Kshatriyas*, the kings or warriors, *Vaishyas*, merchants, and craftsmen, and *Shudras*, the laborers and artisans) (Vanneman, *et al.*, 2006) Over the last few decades, India has shown remarkable economic and social progress. However, despite India's modernization, the institutions of caste and religion have continued to dominate the fabric of its society. Traditionally, hierarchy, holism, and continuity characterized the cultural values in India, and constituted the core of its value system (Srinivas, 1971). A diverse set of socio-anthropological works on India have shown a deep interest in the inbuilt social duality of tradition and modernity—wherein neither of them has had a strong drive to replace the other (Madan, 1995; Shah, 1985; Ghua, 1982).

Even at the advent of the twenty-first century, the informal economy continues to be an integral part of the Indian economy in both urban and rural areas. Further, the fact that the Indian economy has continued to grow in both magnitude and significance is undoubtedly the most obvious indication of how development theories do not explain the dynamics of the market in developing countries like India. It has been recently estimated that the informal economy in India

offers employment to more than 90% of the workforce in urban and rural areas (Harris-White, 2003). Many scholars such as Unni and Rani (2008), Harriss-White (2003), Jhabvala, *et al.* (2003), and Sinha, *et al.* (2003) have described the rapid expansion of the informal economy in India during the last few decades <sup>2</sup>.

Many development theories attempted to explain the difference in economic growth of developing economies and many theorists have associated these differences with the stages of development leading to the transition from a traditional to a modern society. Even if development theorists address the issue of existence of the informal economy in the urban areas of the Third World nations, the nature of the rural informal sectors, has, however, rarely been expounded in their literature. Further, the prevalence of the non-agricultural informal economy in rural areas of India, which is connected by culturally hierarchical ties has been largely left unexplained and unnoticed by the scholars.

### ***Informal Economy Reconsidered***

While the ongoing debates around the world and in India on the informal sector focus on the composition and nature of the urban informal economy, a large and important segment of the population lies within the rural economy. More than 70% of the total population resides in rural areas and a majority of them earn their livelihood from the rural informal economy within both the agricultural sector as also the non-agricultural sectors such as textiles, food processing, retail

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<sup>2</sup> Statistically, the informal workforce in India is estimated to consist of 370 million workers, i.e. nearly 93% of the total workforce (Harriss-White and Sinha, 2007).

trade, and domestic work. The types of employment offered by the rural informal economy is far more heterogeneous in nature as compared to that in the urban informal economy, and it operates under the social umbrella of the village hierarchy. These social hierarchies are based on the traditional institutions of kin, caste, class, religion and gender, which play vital roles in the organization of the rural informal economy in contrast to the neo-classical market assumptions, which suggest that the market forces play an important role in the formation of an economy.

The available literature on the Indian rural economy assumes that all rural areas are comprised of the agriculture sector, and that anything non-agricultural is tied to the urban sector. Although the agriculture sector in rural India is very vast, it does not preclude the existence of the non-agriculture sector, which comprises many different kinds of informal sector activities primarily undertaken by the destitute landless laborers. These landless workers form an important part of the rural economy in most parts of India and provide various services to their landlords.

However, the characteristic structure and operation of the rural informal economy are not well-documented in the existing socio-economic literature. One possible reason for this could be that non-agricultural economic activities of rural areas do not fit the smoothly operating explanations of standard neo-classical economics. Further, studies on the Indian rural labor market (such as Bardhan and Rudra, 1981; Dreze and Mukherjee, 1987; Bhaduri, 1973; Datt, 1996) have found it difficult to fit the intricacy of the rural labor markets into the oft-used economic theoretical frameworks such as subsistence theories, efficiency wages, interlinked markets, and the equilibrium theory. Also, the Indian rural economy operates with non-market forces and the pure economic approach downplays the economic outcomes. (Harriss-White, 2003; Kannan, 2004). Radhakrishna and Sharma (1998, p.17) have summarized the reasons for these difficulties as

follows: “In view of the close linkage between land, labor and credit markets, labor market conditions of supply and demand alone cannot explain the process of determination of wages and income of rural labor. The concept of livelihood or survival strategies adopted by rural labor has been found to be crucial in understanding the outcomes of labor arrangements.”

In order to explain the rural informal sector in India, we need to assess the roles of factors such as caste, tribe, kinship and religion. Since these factors play a more important role in the functioning of the market, we need to turn to economic sociology. Economic sociology points out that every economic action in society has a social basis or social foundation (Swedberg, 2003). The basic difference between the economic sociology approach and the neo-classical economic approach to understanding markets is that in the economic sociological approach, it is recognized that social aspects of society like social networks create economic opportunities, which are difficult to replicate through the vertical integration of the market system. As scholars like Polanyi (1957) and Sahlins (1972) have argued, rural economies operate more at a small-scale level, and rely on the principles of kin-based reciprocity that differs from culture to culture. Studies on the Indian rural market relations have revealed that the socially interlinked economy relies more on complex relationships, social ties and networks that operate under the caste and class nexus and less on the market forces (Bardhan and Rudra, 1981). Traditionally, farm and non-farm activities are segregated in terms of informal groups based on kinship, tribes, and caste, which serve as institutions that dominate the structure and operation of the rural economy. The rural informal sector operates outside the market system and exhibits diverse characteristics that need to be explained. Thus, the present study will attempt to explain the characteristics of the

rural informal economy operating under the social structure of the rural society. The study will explain the nature and operation of the rural informal economy through case studies,.

### *Composition of the Study*

Chapter 2 discusses development theory related to the existence and expansion of the informal sector. The chapter examines how development theorists use the top-down approach to explain capital formation at the core. The latter section of the chapter presents a detailed literature review of the documentation of the existence and prevalence of the informal economy. The chapter provides insights from the available literature on the Indian labor market and focuses on the uniqueness of the rural economic activities being undertaken in India. Lastly, the chapter discusses those aspects of the rural informal sector that have not been frequently studied in detail.

Chapter 3 describes the methodology of the study and the socio-economic conditions of the location of the study area. The chapter contains details about the sample, data collection, and operationalization of the concepts, and provides information about the survey area— the rural areas of Bihar, especially the two rural informal sectors (textile and food processing). Other than the survey findings, responses from in-depth interviews and group discussions illuminate the production process and social ties prevailing within the rural economy. The interview data are used to construct the case studies that provide insights into the four sub-categories of the two rural informal sectors. The qualitative data help in explaining the aspects of social networking,

social norms and interlocked market operation in the rural communities that help support the argument of the uniqueness of the rural informal sectors in India.

The fourth chapter presents an analysis of the existing data from the survey and interviews. The chapter explains the characteristics and nature of the rural informal economy in Bihar, with a focus on the two informal sectors of textiles and food processing. The characteristics of the rural informal economy of the survey area are examined through an analysis of the existing data in terms of variables like age, gender, caste, religion, income group, education, and land-ownership and migration patterns.

Chapter 5 concludes this study with a summary of the findings, reflections on theories, and recommendations for future research. Overall, this chapter informs our understanding on how the rural informal sectors in Bihar works.

## **CHAPTER 2 - Theoretical Framework**

### **Theories of Development**

The notion of economic development emerged out of the neo-classical economic approach. Neo-classical economic theory has assumed that a smoothly functioning market system and an effective price mechanism organize all economies efficiently, and that every economy behaves in a similar manner in the development process (Peet, 1999). Further, Keynesian economists (such as John Keynes, John Hicks and Simon Kuznet) and Seers (1983) argued that the neo-classical theory of economic behavior has serious limitations, and they tried to develop alternative theories to explain the non-economic behavior of society. They argued that developing nations had features that set them apart from the economies theorized by orthodox economists. These features included a high level of rural under-employment, a low level of industrialization, and a disadvantage in international trade (Peet, 1999). In all modern societies, development is measured in terms of the size of the economy's Gross National Product (GNP), such that the higher the GNP per capita, the more developed is the nation.

For sociologists, the concept of development is a broader process of economic and social change. Development in the social context certainly comes with technological advancement in association with social and cultural changes. Classical sociologists have contributed to development theories and have influenced attitudes toward development. From Marx to Durkheim to Weber and Simmel, social scientists have always been occupied with explaining the

role of the economy in society and have developed theories relating the economic activities to society. They have explained the transition of the society from traditional to modern and elaborated the non-market aspect of society in economic development<sup>3</sup>. Further, world system theory speaks about the implications of a global system divided into centers of modern progress and peripheries of traditional backwardness. Among all sociological theories on development, modernization studies have been the most influential in explaining the nature of development in the developing nations. An important influence on the theory of development has been Rostow's stages of growth thesis (1960), that pointed to countries in the West as the role model and suggesting that the 'Third World' countries should copy Western values and transform their traditional institutions to modern industries (Rostow, 1964).

Modernization theory, especially the idea that development means replicating the Western model, underlies most conventional development theories around the world. However, by the late 1960s, a different kind of trend was visible in the Third World nations, wherein the stages of development from the traditional to the modern society were accompanied by the growth of the 'informal economy'. The informal economy is defined as a process of income generation in a sector that can be characterized as being unregulated by the institutions of society in a legal and social environment (Castells and Portes, 1989, p.12).

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<sup>3</sup> Theorists such as Durkheim, Comte and Tonnies, while observing the changes in the social, economic, and political orders, used labels that characterized the old traditional society and the new or modern societies: Tonnies used the labels *geminschaft* (community) and *gesellschaft* (society); Durkheim used mechanical and organic solidarity; Spencer, military and industrial society and Comte, the theological, metaphysical, and positive stages.

## **The Informal Economy: Concept and Theories**

The concept of the informal economy was first introduced by Hart (1973). However, some theorists like Kabra (1995) claim that the concept of the informal sector builds upon the earlier concept of the traditional or unorganized sector, which signifies production at a smaller scale, which has a domestic or unorganized character and may also be a part of the non-monetary sector of the economy (for example, GOI, 1951). Bromley (1978) claimed that it may equally well be seen as a spin-off of the dual economy literature, originating with Lewis (1954), who conceptualized economic development as the emergence and growth of the manufacturing sector (the modern sector) through the absorption of labor being freed from agriculture or due to more efficient means of production in agriculture. The modernization theorists argue that the informal economy is subordinate to the formal economy. They argue that the growth of the informal economy was a result of the transition of society from the traditional to the modern, and it is a resting place on the way to integration into a modern society. They also believe that the only economy prevailing in the modern world is the formal economy and informality in the economy is a temporary behavior born out of the slow expansion of the formal economy.

Some sociologists studying the informal sector have a Marxist theoretical outlook, which views actors in the informal economy as proletariats, engaged in petty commodity production and articulating capitalist and pre-capitalist social relations (Elyachar, 2005). Further, the structuralists proposed a functional definition of the informal sector. The structuralist school, popularized by Caroline Moser and Alejandro Portes (among others) in the late 1970s and 1980s, subscribes to the notion that the informal sector should be seen as an amalgam of subordinated economic units and workers that serve to reduce input and labor costs and, thereby, increase the

competitiveness of large capitalist firms. In the structuralist model, in marked contrast to the dualist model, different modes and forms of production are seen not only to co-exist with each other but also to be inextricably connected and interdependent (Castells and Portes, 1989). According to this school, informality is a product of the unequal development of capitalism in the non-industrialized urban areas. Proponents of this school argued that the nature of capitalist development (rather than a lack of growth of the economy) accounts for the persistence and growth of informal production relationships.

Although there have been ongoing debates about the definition of the informal economy, the concept of the informal sector still remains unclear. Different terms have been used to describe the informal sector including the traditional sector, the ‘survival’ sector, the ‘unregulated’ sector, the ‘non-structured’ sector and ‘transitional activities’ (Kabra, 1995). The difference in definitions always focuses on the heterogeneous nature of the informal economy. Due to its intrinsic heterogeneity, the informal economy can be defined and analyzed in many ways. Breman (1996) points out in his book on informal workers in India that the informal sector is just as heterogeneous as the formal economy. Nevertheless, this array of definitions should not be seen as an obstacle but as a possibility to identify relevant entry points and to select target groups for various interventions. The informal sector is increasingly being referred to as the informal economy, to get away from the idea that informality is confined to a specific sector of economic activity but rather cuts across many sectors. The term ‘informal economy’ also emphasizes the existence of a continuum from the informal to the formal ends of the economy, thus highlighting the interdependence between the two sides.

A wide range of studies have been conducted in both developing and industrial countries in order to examine the characteristics of the informal economy. Examples include Breman's (1996) study on textile workers in Gujarat, India; Babb's (2005) study of street foods in Nicaragua; Elyachar's (2005) research on the craftsmen of Cairo, Egypt; and the manuscript of De Soto (2000) explaining the difficulties of converting the informally-held property of informal entrepreneurs into real capital in Peru. The essential characteristics that have emerged from all these studies are that the informal sectors, in general, have a low level of organization and have little or no labor contract and regularity of wage payment. The informal economy is highly divergent in terms of employment and consists of: (a) self-employment in informal enterprises—employees, self-employed and unpaid family workers; and (b) wage employment in informal jobs—workers without formal contracts, benefits or social protection in formal and informal firms, or households with no fixed employer. Such workers include: (i) employees of informal enterprises; (ii) other informal wage workers such as casual or daily laborers, domestic workers, unregistered or under-employed workers, temporary or part-time workers; and (iii) industrial outworkers (home workers). An overwhelmingly large proportion of workers in the economy are poor, but they differ widely across employment status and occupation. The informal economy by nature has no or a minimal degree of labor-managerial interactions and relations, and in case they do exist, they are mainly casual in nature and are based mostly on kinship or personal relations over the contractual agreement with no formal guarantees. Further, the absence of formal institutional regulation in the informal economy affects the work process due to the higher number of low-skilled workers, low capital-intensive way of production, fluctuating production, and easy entry into and exit from the lower echelons of the economy (ILO, 2002).

Portes and Haller (2003) argue that the phenomenon of the informal economy is both deceptively simple and extraordinarily complex, trivial in its everyday manifestation and capable of subverting the economic and political orders of a nation. De Soto, in his study on Peru, set off a debate about both Peru's large population dependence on the informal sector and the role of the informal sector in the developing countries. He argues that the root of the informal sector problem can be found in the bureaucratic model of development, which focuses on the governmental promotion of large-scale enterprises and advanced technology as essential tools for development. Indeed, one study, quoting Hernando De Soto, compares the informal sector to an elephant: we may not quite be able to exactly characterize its true nature but once we see it, we have no doubt what is in front of us (Mead and Morrisson, 1996).

Further, several of these studies focus on the demerits of the existence of the informal sector, such as 'obstacles to legality', or the usefulness of this type of economy to the state, acting as the 'cushion' function. The 'cushion' function is related to the contribution of the informal economy to the political stability and economic viability of poorer nations. In other words, by employing the unemployed and offering services and products to the population at a lower cost than the formal economy, the informal economy compensates for the state's inability to promote economic stability (Centeno and Portes, 2006; Guersi, 1997) These studies, perhaps because of their focus on larger structural issues, have been unable to highlight the characteristics of the informal economy.

However, authors like Maher (2007) and Breman (1996) expound a brighter side of the informal economy and show that the informal sector provides opportunities for income generation and access to goods and services for low-income populations. Maher (2007) points

out that the informal economy provides income to those who have otherwise been denied it in the formal sector, while also functioning as a 'glue' that provides form and stability to social life.

The essential characteristics of the informal economy, emerging from ILO studies on informal economies in Africa, are a low level of organization and little or no division of capital and labor. It has been observed that in most developing countries, self-employment comprises a greater share of informal employment than wage employment. Specifically, according to a study by ILO in 2002, self-employment represents 70% of the informal employment in sub-Saharan Africa (if South Africa is excluded, the share is 81%), 62% in North Africa, 60% in Latin America, and 59% in Asia. Also, informal wage employment in the developing world constitutes 30% to 40% of the informal employment outside agriculture (ILO,2002).

Debates continue on what exactly 'informal' economic activities are, but there is broad agreement that they are relatively small-scale, and operate beyond the scope of registration, tax and social security obligations, and health and safety rules for workers. Internationally, there is a move away from a more enterprise-based definition of informal employment to an employment-based definition of informal work; whatever the case may be, the defining characteristic of the informal economy is the precarious nature of the work it offers (WIEGO, 2001, p. 1). Workers in informal enterprises and informal jobs are generally not covered by social security or protected by labor legislation. The old and new views of the defining characteristics of the informal economy are summarized in Table 2.1 below.

**Table 2.1 Old and New Views of the Informal Economy**

<b>The Old View</b>	<b>The New View</b>
The informal sector is the traditional economy that will wither away and die with modern, industrial growth.	The informal economy is 'here to stay' and expanding with modern, industrial growth.
It is only marginally productive.	It is a major provider of employment, goods and services for lower-income groups. It contributes a significant share of the GDP.
It exists separately from the formal economy.	It is linked to the formal economy—it produces for, trades with, distributes for and provides services to the formal economy.
It represents a reserve pool of surplus labor.	Much of the recent rise in informal employment is due to the decline in formal employment or to the informalization of previously formal employment relationships.
It is comprised mostly of street traders and very small-scale producers.	It is made up of a wide range of informal occupations—both 'resilient old forms' such as casual day labor in construction and agriculture as well as 'emerging new ones' such as temporary and part-time jobs plus homework for high-tech industries.
Most of those in the sector are entrepreneurs who run illegal and unregistered enterprises in order to avoid regulation and taxation.	It is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulation; and most non-standard wage workers would welcome more stable jobs and workers' rights.
Work in the informal economy is comprised mostly of survival activities and is thus not a subject for economic policy.	Informal enterprises include not only survival activities but also stable enterprises and dynamic growing businesses, and informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies.

Source: Chen, Martha, Joann Vanek and Marilyn Carr, 2004, p. 14.

## *Informal Economy: A Special Case in the Indian Labor Market*

The informal sector in India is diverse and heterogeneous and is labeled as unorganized to distinguish it from the organized or registered economy, and is sometimes referred to as a 'bazaar' economy (Harriss-White, 1999). Further, 'unorganized' in India does not merely mean unregulated. In the Indian context, the informal economy implies the economic activities of firms and individuals that are not registered for the purpose of taxation and regulation and/or regulation by the state (Breman, 1976). It involves production or exchange that does not take the form of market transactions (non-capitalist production, household production); it involves various kinds of mobile exchange and production (from rag-picking to recycling). Harriss-White (1999) states that by definition, it becomes difficult to know the size of the informal economy in any particular economy (Harriss-White, 1999). Many of the workers work in both the formal and informal sectors in different seasons. According to a report published by the National Council for Applied Economic Research (NCAER, 1999), out of the total workforce in 1998-99 reporting to work for the informal sector approximately 83% work wholly for the informal sector (92% of the women workers and 80% of the male workers) in India. Thus, in India, there is no neat boundary between organized and unorganized labor. Further, as discussed above, the biggest component of the informal or unorganized sector in the Indian workforce consists of the catch-all categories of the self-employed. Ghose (1999) estimates that 56% of the total workforce in India in the year 1993-94 is self-employed, 29% are casual workers and just 15% are regular salaried employees (whether organized or unorganized).

One of the strong assumptions attached to the informal economy is that it is restricted to just urban areas (Bromley, 1978; Hart, 1973) and scholars, until not very long ago, did not notice

the dynamics of rural informality. Further, though recently many scholars have associated Indian life with teeming megacities, as the country's Registrar-general said in 2005, "*India lives in its villages.*"<sup>4</sup> A large majority of Indians live in relatively small localities and are engaged in farming or some activity related to farming. More than 70% of the country's population resides in rural areas and a majority of them earn their livelihoods from the rural informal economy like the agriculture sector and non-agriculture sector like textiles, food processing, honey beekeeping, retail trade, etc.<sup>5</sup> Thus, the rural informal sector is also an important aspect of the village economy. Further, the rural informal sector is as diverse and heterogeneous in its nature and operation as the urban informal sector.

Debates on the social transformation process that India has experienced since Independence in 1947 were at first dominated by the concept of an economic dualism between villages and towns, which coincided with the distinction between agriculture and industry. However, later more people started moving out of agrarian farm work to other forms of income-generating avenues.<sup>6</sup> Also, in the rural economy, it is difficult to differentiate between workers employed in the organized and unorganized sectors. According to the National Council of Applied Economic Research report (NCAER, 1999), the organized economy accounts for a major component of the livelihood of less than 9% of rural households.

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<sup>4</sup> Registrar General, India, *Census and You* (New Delhi: Government of India, 2005).

<sup>5</sup> In 2001, the average Indian lived in a village of about 4,200 people; 72% of India's total population was classified as rural, and 58% of the workers were engaged in agriculture. Just 11% of the Indians lived in large cities comprising a million or more residents (Haub and Sharma, 2006).

<sup>6</sup> A recent study concerning all rural households in India show that, non-agrarian work of varying kinds became the principal activity for one out of four male workers and for one out of six female workers (Chadha and Shahu, 2003).

The labor market in the rural areas of India is controlled not only through a manipulation of the non-class social identity but also through the segmentation and fragmentation of other dimensions of the labor market like caste and religion. As shown in an example quoted by Harriss-White, in India, the blurred boundary between the organized and unorganized (formal and informal) is also a division of religion, caste and gender, with large numbers of rural informal workers who migrate to cities seasonally on a large scale (Harriss-White, 1999). The seasonal migrants are not just migrants; they may also be independent farmers, weavers, petty traders, etc. in rural areas for the rest of the year.

Further, Indian society is deeply rooted in religion, language, caste (*jati*), kin and tradition. Although there are some suggestions that caste differences have been eclipsed by class differences in modern India (Beteille, 1992), most scholars continue to find caste or *jati* to be a significant factor in the social stratification of India (Srinivas, 1996; Gupta, 1991). However, in the rural sector, caste consciousness and class consciousness are not mutually exclusive but rather reinforce each other. The institutions of caste and religion represent an entire system whereby the whole society is organized into different groups, their inter-relationships are determined, the division of labor and exchange of goods and services are carried out, and the social roles and obligations of the individuals are prescribed. These castes or *jatis* are endogamous<sup>7</sup> with clear boundaries, and permeate Indian social life in many ways. Caste is defined as a collection of families or group of families bearing a common name, claiming a common descent from a mythical ancestor, human or divine, professing to follow the same

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<sup>7</sup> Endogamy refers to the practice of marriage within a social group. There are four categories of endogamy: caste, village, class, and lineage endogamy. Within caste endogamy, people within a rigid caste system prefer to marry people of the same caste. This is particularly common in India.

hereditary calling and forming a single homogeneous community. The institution, which as previously based largely upon occupations, has four main divisions: *Brahmins* (priests, teachers), *Kshatriyas* (kings, warriors), *Vaishyas* (merchants, landowners, craftsmen), and *Shudras* (laborers, artisans). These provided a hierarchical division to the society on the basis of relative ritual purity. The “Untouchables” are the lowest caste, who usually performed menial jobs<sup>8</sup>. The religion and caste ideology affect the entry and restriction to the labor market and stratify wages (for example: women’s entry into the labor force is restricted among some castes and lower castes, mainly untouchables, are poorly paid and are allowed to do only manual labor).

After Independence, the government of India established a caste categorization system (taking into consideration the earlier definitions of caste hierarchy in the society) to counter the devastating effects of the caste system on members of those in its lower ranks. The newer categorization system by the government consists of three explicit categories, and one residual one. These are: the Scheduled Tribes (STs)— – members of India’s indigenous population; the Scheduled Castes (SCs)— - *Shudras* (laborers, artisans)), also known as the Untouchables or *Dalits*; the Other Backward Castes (OBCs or BCs— including *Vaishyas* (merchants, craftsmen)), who are disadvantaged members of the lowest ranks of the caste structure; and the residual group, the Other Castes (OCs), who are members of the more advantaged castes (*Brahmins* and *Kshatriyas*), as also non-Hindus (mainly Muslims in the case of the case study area, that is, Bihar). These categorizations are now commonly understood within Indian society and are used to understand the role of caste embeddedness. Most importantly, residential clusters in the rural

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<sup>8</sup> Mahatma Gandhi attempted to remove discrimination against this group by referring to them as *Harijans* or Children of God. According to M.N Srinivas, the features of caste prevailing through the past centuries may be described under nine heads: hierarchy, restriction on food, drink and smoking; distinction in custom, dress and speech; pollution, ritual and other privileges and disabilities; caste organization and caste mobility (Srinivas, 1984).

areas are organized around the caste system with neighborhoods often known by the names of their respective caste or occupation. The persistence of the impact of caste on the activities of people in India is a subject of debate, especially in the light of the government's efforts to extend its policies to create equity for the BCs. The limitation of the purview of this thesis does not allow for an extensive discussion of caste as a socio-structural phenomenon in India, nor is such a discussion necessarily relevant, given the extensive regional variations in the social structure, and variations between urban and rural areas (Srinivas, 1984).

Although, India is a nominally secular country, religion impinges upon Indian social life in the same ways that caste does. The predominant religion in India is Hinduism; Muslims form about 12% of the population with other religious minorities such as the Christians, Sikhs and Jains constituting another 3% of the total population (Census, 2001). The importance of Hindu traditions is manifested in India's deeply rooted caste system, which continues to play a key role in the organization and stratification of Indian society. The Muslim community in India occupies a niche in the labor market consisting of skilled artisans and craftsmen. The social distance between Hindus and Muslims is visible in the Indian labor market too. Overall, historically, personal relationships in India, mostly in rural India, have been structured by the primeval division of caste and religion.

There have been studies suggesting that the complex nature of the rural labor market is defined by non-competing groups and institutions (caste, religion and class) in India (Breman, 2002). However, some scholars have argued that while caste divisions denote differences, they do not always denote hierarchy (Gupta, 1991). Others have suggested that class is more important than caste in India now (Beteille, 1992).

Thus, with all these social dimensions affecting the rural society and the labor market in India, wherein very few people work for the organized or formal sector, it is necessary to use a specific social framework as a basis for examining the characteristics of the labor market. Thus, the rural labor market is so complex that it cannot be resolved by using the simple model of supply and demand (Binswanger and Rosenzweig, 1984), and an economic sociological approach instead might provide a better explanation.

### **Economic Sociology and the Conundrum of the Caste System in India**

As discussed above, the operation of the rural informal non-farm economy cannot be explained by the neo-classical market framework; they are more small-scale operation, which work with the principles of kin-based reciprocity and differ from culture to culture (Polanyi, 1957; Sahlins, 1972). Further, studies on the Indian rural market relations have shown the socially interlocked market establishment with complex relationships, social ties, and embeddedness (Bardhan and Rudra, 1981). The informality in the urban and rural sector is different in nature and operation; rural informality functions under the umbrella of social hierarchical institutions (Breman, 1996). These aspects of the social economy cannot be explained by the neo-classical economic framework. A pure economic approach discounts these social networks and their economic outcomes. Thus, an economic sociology approach can help in explaining the social institutions and networks and characteristics of the Indian rural informal economy. Economic sociology considers the social ties and networks that create economic opportunities which are difficult to replicate through formal markets (Swedberg, 2003). In simple terms, economic sociology can be defined as the sociological perspective applied to

understanding an economic phenomenon. For example, in contrast neo-classical theory social relationships between exchange partners can enhance economic performance rather operating as a drag on markets. (Uzzi, 1996; 1997). Further, Smelser elaborated and defined it as the application of the frames of reference, variables and explanatory models of sociology to that complex of activities which is concerned with the production, distribution, exchange and consumption of scarce goods and services (Smelser, 2005).

The concept of embeddedness was introduced in the overlapping literatures on social networks and economic development, on the one hand, and economic sociology, on the other. The theory of embeddedness was developed within economic sociology along two separate intellectual trajectories, one following from Polanyi's [1944 (2001); 1957; 1977] mid-century writings, and the other from Granovetter's (1985) seminal article. The concept of embeddedness begins with the observation that almost all people are engaged in more than one sphere of activity, such as economic activities, social activities, and political activities, and within those spheres there are sub-spheres of activities which creates embeddedness in the economy. The notion of embeddedness assumes that the actors in socio economic framework cannot be just seen as an atomized decision makers (maximizing their utilities) but can be expressed and understood within the concept of network, institutions and cultures. Thus, the concept of embeddedness prioritize the different conditions within which social action takes place (Ghezzi and Mingione, 2007).

Polanyi [1944 (2001)] introduced the term 'embeddedness' in his most famous writing, "The Great Transformation", but he used the term in a form that was different from its contemporary use. According to Polanyi, economic actions become destructive when they are

‘disembedded’, or not governed by social or non-economic authorities. However, the current use of the term ‘embeddedness’ was introduced by Granovetter (1985), who provided an intellectual justification for the economic sociology, as a result of which the concept took firm root.

According to the current use, an economic action is, in principle, always ‘embedded’ in some form of social structure (Smelser and Swedberg, 2005).

Granovetter (1985) explains that norms, institutions, habits, social structures and power can be understood as forms of embeddedness in the economic context, and can be used in economic sociology as variables to explain various economic processes and structures. Granovetter defines embeddedness in terms of “concrete personal relations and structures (or ‘networks’) of such relations” (1985, p. 490). According to Granovetter, ‘embeddedness’ thus takes place through social networking, wherein individual behavior and institutions are constrained by ‘ongoing social relations” (Granovetter, 1985., p. 482). Furthermore, he describes the social construction of economic institutions in terms of agglomerations of social relations (Granovetter, 1990).

Further, subsequent research in economic sociology following Granovetter has accordingly begun to pay more attention to network ties and to the content of the ties (Powell and Smith-Doerr, 1994, p. 371). Uzzi (1996; 1997) provides the most explicit theorization of how embeddedness enhances economic performance. In his study on a garment assembling firm, Uzzi notes that networking creates economic value via three mechanisms: trust, fine-grained information transfer, and joint problem-solving. Also, Granovetter’s concept was further elaborated by adding a theory of institutions or building the concept down to provide a more explicit theory of action (for example, Beckert, 2007; Carruthers and Uzzi, 2000, Fligstein, 1996;

Granovetter, 1990). In addition, in more recent literatures, the institutions and networks are closely related to each other and the former facilitate the development of the latter by making it easier for people to trust each other (Swedberg, 2003; Stuart, 2003; 2006).

Lastly, according to the Granovetterian approach, embeddedness refers to many kinds of relationships among different kinds of entities; ties are forged between and across individuals (for example, DiMaggio and Louch, 1998), firms (for example, Mizruchi and Stearns, 1994), industries (non-profit organizations (for example, Baum and Oliver, 1992a), and governments (for example, Ingram, *et al.*, 2005). Thus, embeddedness in contemporary literatures is commonly defined “in terms of either networks or institutions, where networks are formed out of social relations between people that are nourished over time, while institutions are persistent formal and informal rules of practice and ways of perceiving the worldly activities that are enforced through authorization and rewards” (Jepperson, 1991, p.145; Fligstein, 2001, p. 11).

In summary, the concept of embeddedness as analyzed by Granovetter in terms of social networking is an important concept to understand the functioning of economic activities especially in rural areas. However, most of the studies in economic sociology also focus on urban areas of the industrial nations and the functioning of the multifarious nature of internal work prevailing in the rural areas of the developing countries has been rather neglected. This is particularly more so in the case of India where the traditional institutions of caste, religion and gender exert a powerful influence on the functioning of the informal economy.

Overall, this chapter has shown that the existence of informal sector has been extensively studied by the social scientists around the world. Although the characteristics and nature of the sector differ widely across various countries/regions, it is widely acknowledged that this sector has come to stay and is a major provider of jobs and goods to a large proportion of the workers in the developing countries. The sector has been studied mainly using neo-classical tools of economic analysis. However, some studies have shown that neo-classical tools may not be very appropriate as they don't capture the institutional and social factors which govern the functioning of these sectors. The social aspects of society (like ties, networks) on which the informal economy is built especially in rural areas, is find missing from the social science literatures. As such this thesis attempts to study the functioning of the rural informal sector in one of the most backward regions of India using the concept of embeddedness as defined through social networking.

## **CHAPTER 3 - Research Methodology**

The present study, as discussed in the initial chapters, examines the nature of the rural informal economy and the role of social networks in the organization of the rural economy in India. I am particularly interested in the characteristics of the workers in the rural sectors in India. This study will adopt a combination of several strategies towards meeting the research objectives. A survey for the study was conducted in March 2005 in the three regions (east, north and south) of India and pertained to four major informal sector activities in India—textiles, food, retail trade, and freight and transport. The three regions selected for the survey were— east ( in the states of Bihar and Jharkhand), north (in the National Capital Region of Delhi or NCR, comprising areas from the neighboring states of Uttar Pradesh and Haryana) and south (in the states of Tamil Nadu and Kerala).

The selection of the industries for the study was based on the secondary data results from the National Sample Survey (NSS) 1999-2000, which showed the dominance of four major employment generation informal industries India: (i) Food Processing: In a developing country like India, an increase in incomes leads to an increase in the demand for food, as the poorer sections of the population spend a large part of their earnings on food. Since the increase in demand is in favor of processed food, the food processing industry is likely to be favorably influenced by the growing economy. (ii) Textiles and Garment Manufacturing: This is a heterogeneous industry, comprised of the handloom and power-loom sector. This

industry has been considerably decentralized in the recent past. This sector is one of the largest and oldest informal sectors in India. (iii) Retail Trade: Retail trade permits easy entry to all kinds of workers, skilled or unskilled. This sector is often regarded as the place where unemployment in the labor-abundant countries is disguised. The industry, however, can create sustainable employment opportunities when real output increases, as can be expected after globalization; (iv) Freight Transport by Land: Globalization leads to the regional specialization of production and creates the need for moving surplus produced in one region to another where the demand is higher.

The purpose of the survey was not just to provide estimates of informal workforce around the country but also to get a sense of the processes at work in the informal sector. Therefore, it was decided that the size of the sample population should be reasonably large to ensure randomness, subject to the obvious limitations imposed in terms of the availability of both funds and trained investigators. Further, in the absence of a list of enterprises belonging to the unorganized sector and their distribution by industry, region and location, it was difficult to distribute the predetermined size of the sample proportionally to the universe across industries and regions. Since the survey was based on a face-to-face interview and the survey forms were filled by the participants in the presence of the field workers, the response rate for the survey was 100%. The total sample for the larger project consists of 1,814 respondents.

However, among the four sectors studied in the bigger project, my study draws a rural sample from the eastern state of Bihar. I was interested in choosing this state because as per the recent Census, around 90 % of the total population in Bihar resides in rural areas. Also, the state of Bihar is famous for its handloom textile and food processing sectors, and these

two sectors are traditionally high employment-generating industries in Bihar. The selected sample comprises 290 workers, of whom 142 belong to the food processing sector and 148 to the textiles sector. Apart from the questionnaire survey, we conducted some face-to-face personal and group interviews with the participants from both the sectors to build the case studies. The selection of the participants for the interviews was done on a random basis. Further, according to the speciality of the region, the two sectors were further divided into two sub-sectors. For instance, the food processing sector was segregated into the honey beekeeping sector and the local food processing sector. The textile sector was also divided into two sub sectors—the handloom weaving sector and the Madhubani painting sector. Within the sub-sectors, the selection of the participants for the interviews was done on the basis of the characteristics of the sectors. For example, in the honey beekeeping sector, a group of male workers working together were interviewed, while for the Madhubani painting sector, individual women workers were interviewed. The workers interviewed from the handloom sector were Muslims while the local food processing sector workers interviewed were Hindu low caste. Thus by taking all the three social aspects of caste, religion and gender, we interviewed around 15 workers in each sub-sector.

The larger study tries to understand the relations between the market economy and the institutions of caste and religion in the production and organization of the rural economy in India. We gathered information from the field in the selected areas of Bihar by conducting interviews among members of these two sectors. The personal interviews provide a micro-level analysis to supplement the exploration of the heterogeneity of informal livelihoods, the nature of work and hierarchy in the rural economy, and the pattern of migration in the two sectors from the rural communities of Bihar. Thus, the study combines qualitative and

quantitative research methods. The quantitative statistical analysis of the survey data has been conducted to examine the trends in employment and unemployment, wages, earnings, social security and other characteristics of the labor market in the two selected informal economies.

In contrast to the many existing sectoral and region-specific studies on the issue of the expanding informality of the economy, this study aims to provide a comprehensive analysis of the nature of the rural informal economy in the state of Bihar. The study explores the characteristics of the rural informal sector and the social networks that are shaping and reshaping the rural informal economy.

**Figure 3.1 Research Area**



Source: [http://www.newworldencyclopedia.org/entry/Image:India\\_Bihar\\_locator\\_map.svg](http://www.newworldencyclopedia.org/entry/Image:India_Bihar_locator_map.svg)

**Figure 3.2 Research Area**



Source: <http://www.indiavillageportal.org/districts/Map/bihar.htm>

## **Location of the Study**

### ***Description and History of the State of Bihar***

Home to approximately 8% (8.29 million as per the 2001 Census) of the total population of India, the eastern state of Bihar is the third most populous state of the country. It constitutes approximately 3% of the total geographical area of India; after the recent

bifurcation of the state from the southern plateau of Jharkhand, geographically Bihar now includes just a large stretch of plains with neither any established industry, nor any major town except the state capital of Patna. Bihar occupies an important position in the early history of India; for centuries, it was the principal seat of imperial powers and the main focus of Indian culture and civilization. It is the land of origin of two religious traditions—Buddhism and Jainism.

Until 2006, the state of Bihar was among the slowest growing regions of India; the growth rate of its GDP per capita during the 1990s was very low, being just 2.69% per annum during the period 1991-92 to 1997-98, as against approximately 6% for all the major states of the country (Ahluwalia, 2000). Between 1999 and 2008, the GDP grew by 5.1% a year, which was below the Indian average of 7.3% (Census, 2001). It is the least urbanized state with a rural population of approximately 90%. Frequently characterized as the ‘most backward state of India’, Bihar has the lowest literacy rate, the highest percentage of people living below the poverty line (next only to Orissa), and the lowest per capita income among the major states of India (Sharma, 1995). Further, the rate of population growth of Bihar is one of the highest in India, and according to a World Bank report, Bihar has achieved only two out of the eight Millennium Development Goal (MDG) targets (World Bank, 2006).

Work outside of agriculture is not a new phenomenon in most parts of rural India. The NSSO (National Sample Survey Organization) data shows that wage employment in agricultural labor accounted for nearly 40% of the rural labor force in Bihar during the year 1990-2000. Further, for the last several decades, the landless households in Bihar have depended on work outside agriculture for at least part of the year. The percentage of landless households in Bihar

was 23.4% during the 1980s, which shot up to 28.4% during the 1990s, while in the case of India as a whole, the corresponding percentage had declined from 23.9% during the 1980s to 21.3% during the 1990s. Consequently, the population density of Bihar stands at a phenomenally high level of 880 persons per square km. as against 234 for the country as a whole. The demographic situation, coupled with slow economic growth, has led to the economic retrogression of the state. Bihar's per capita income, which was approximately 60% of the all-India average during the early 1960s, declined to approximately 34% in 1997-98 and further to 22.5% in 2006-2007 (Sharma, 2006).

With respect to the other social and economic indicators, the state's performance has been dismal (World Bank, 2006). The post-Independence era witnessed the dismal failure of the state of Bihar or of the Indian State in ushering in the changes required to accelerate economic development as well as to bring about a fair and equitable social structure. The state of Bihar is historically famous for the caste system and caste politics, which form the basis for all kinds of activities in the state at present too (which is not very common in other developed states of India). Casteism in the state has not only made inroads into politics and the bureaucracy but has also permeated nearly all institutions. The causes for this can be traced to the very nature of the power structure in Bihar and the political distress. Ownership of land and other assets, caste dominance, the political power structure and the oligarchies that control the state apparatus and their resources overlap in a way, which is by no means unique to Bihar, but which takes a particularly entrenched form here. This, however, cannot be taken to mean that the state has been static. Technological developments have no doubt made some impact, with parts of the state experiencing modest spurts in agricultural growth during the 1980s, following long periods of stagnation. However, in the absence of an effective transformation of the underlying structures,

these changes do not appear to be sustainable. Observers have contrasted the tapering-off of agricultural growth with the immense opportunities availed of by those with access to state power and patronage, and have noted the “rise of corruption and crime as the fastest mode of accumulation” (Das, 1992, p. 25).

Three areas have been selected for research in three districts of Bihar— Muzaffarpur, Madhubani and Bhagalpur. These areas are primarily rural areas with agriculture as their primary economic activity. Most of the off-farm economic activities are also directly or indirectly related to agriculture in the close-knit societies of the three areas under study. The state of Bihar has been known for its traditional form of art and textiles since the medieval period. Each region of Bihar has its own speciality. For instance, Bhagalpur is known as the ‘Erstwhile City of Silk’ because of its special variety of woven silk, known as *tasar*. The Madhubani region is known for handloom cotton or *Khadi*, and for its folk art in the form of Madhubani paintings. Muzaffarpur, in turn, is famous for its extensive food processing sector and is known as the ‘land of *litchees*’ (a juicy seasonal fruit available during the peak summer months). Almost 90% of the total production of *litchee* in India comes from this region of India. Muzaffarpur is also known for its special *litchee* honey.

## **Sectors of Study: Traditional Handloom and Food Processing Industries**

### ***The Tradition of Indian Handlooms***

India’s industrial growth has been centered significantly around the textile industry. Textile mills were major sites of mechanized production that was characteristic of large-scale

industrialization in the country. However, in India, handloom weaving has a long tradition of excellence and craftsmanship. Over the years, the industry has modernized, and is characterized by keen competition from the more effectively organized and productive mill sector. It has been well established that the Indian handloom cloth has a promising role to play in the textiles market, and given adequate protection and support, it can serve a very large internal market as proven by the fact that handloom fabrics account for one-third of the total cloth production in India. India is one of the major silk-producing countries in the world. Indian weavers have captured world attention with their traditional motifs, which are renowned for their aesthetic value. However, the industrialization of the 1980s resulted in the virtual destruction of the handloom sector by the mechanized units of textiles and garment products. Also, traditional spinning and weaving activities that were carried out in the household came to a halt. The result was the emergence of a new kind of production technique, the power-loom, which integrated an efficient method of textile weaving into the world chain of the demand for finished readymade garments. In a very brief period, the handloom-weaving sector has seen quite a shift from its erstwhile redundancy and the prevalence of conventional skills to modern technological advances. Along with these fluctuations, the fate of the weavers, who have been mostly working on their own looms in small informal enterprises, has continuously fluctuated. Even though the sector has seen a gradual decline over the years, it continues to remain a significant component of the textile industry. The handloom sector provides employment for an estimated 12.5 million people and is the largest rural employment provider next to agriculture, also generating jobs in the semi-urban and urban areas of India (Reddy, 2006). Although it employs the largest number of people, the handloom sector is considered as a sunset industry, and there is an air of inevitability given the relentless march of mechanization, modernization and sophistication. Still, there are many advocates of the handloom for reasons including ideology, philosophy, sheer love

for handloom products and economic arguments. However, irrespective of the policies, projects and aspirations arising out of various quarters, the handloom sector is undergoing changes that are impacting the livelihoods of handloom weavers adversely.

The two study areas chosen for the survey of the textile industry in Bihar were Bhagalpur and Madhubani. The erstwhile city of silk, Bhagalpur, is located in the southern region of Bihar in a divisional town of historical importance situated on the southern bank of the Ganges. The origins of the weaving community of Bhagalpur can be traced back to over 100 years of historical existence. However, the city of *khadi* in Bihar is the town of Madhubani, one of the ancient cities of India located in the north-eastern region of the Indo-Gangatic planes. The city is also known as the cultural heart of Mithilanchal, as it is the birthplace of many literary people and home to the Madhubani paintings, signifying the tradition of folk and domestic painting, an exclusive artistic expression of women. This tradition of domestic painting became commercially famous after the incidence of suffering of the Madhubani region due to a prolonged drought, whereby in order to create a new source of non-agricultural income, women artists began to produce their traditional paintings on handmade paper and textiles for commercial sale. However, like the handloom sector in other parts of the country, the situation of workers in this region is also facing a severe livelihood crisis. With more and more artists and weavers being unable to make a living out of the handloom sector in rural areas, they have started moving toward the city for employment. Both the survey areas have very similar but distinct histories related to their traditional form of art, which, at present, is one of the decaying industries of India.

## ***Food Processing: Honey Beekeeping***

The production of honey and beekeeping has a long history in India. India has some of the oldest records of beekeeping in the form of paintings by prehistoric man in the rock shelters. With the development of civilization, honey acquired a unique status in the lives of the ancient Indians. Further, the recent past has witnessed a revival of the industry in the rich forest regions along the sub-Himalayan mountain ranges, wherein it has been practiced in its simplest form. In the year 2000, India's total honey production (27,000 tonnes per year) was low as compared to that of China, and India's total honey export was only 7,000 tonnes (Sarangerajan, 2000). India is also a low consumer of honey. The consumption of honey in India is still largely confined to the *Ayurvedic* drug industry, and has yet to become a regular food item. Subsequently, the establishment of the Khadi and Village Industries Commission (KVIC) for revitalizing the traditional village industries hastened the development of beekeeping in most parts of India. Today, honey is increasingly being recognized as a nutritionally rich food item in India, which indicates a significant market potential for the product in the years to come.

In India, beekeeping has been mainly forest-based. Several natural plant species provide nectar and pollen to honey bees. Rubber plants contributed to over 60% of the total apiary honey production during 1990-91. Besides this, some other important sources that provide unifloral honey include *jamun*, *hirda*, *beheda*, *arjun*, *neem*, *litchee*, palmyrah palm, eucalyptus, lagerstroemias, tamarind, cashew tree, scheffleras, *tun*, *karanj*, false acacia, wild shrubs like shain, crops of different varieties of mustards, sesame, niger, sunflower, *berseem* clover, *khesari* and coriander, orchard trees including different types of citrus, apple, *puddum*, cherry and other temperate fruit trees, coconut trees and coffee plantations.

Thus, nature provides the raw material for the production of honey free of cost. Beehives neither demand additional land nor do they compete with agriculture or animal husbandry for any inputs. Beekeeping constitutes a resource of sustainable income generation for the rural and tribal farmers in most parts of India. It provides them valuable nutrition in the form of honey, protein-rich pollen. Bee products also constitute important ingredients of folk and traditional medicine.

In India, beekeepers sell the honey to a co-operative, if one exists in the area. In many parts of India, the beekeeper gets a much higher price if he sells it directly to the consumer. Tribal populations and forest dwellers in several parts of India practice honey collection from wild honeybee nests as their traditional profession. The methods of collection of honey and beeswax from these nests have changed only slightly over the millennia. The major regions for honey production in India are forests and farms along the sub-Himalayan tracts and adjacent foothills, tropical forest and cultivated vegetation in Rajasthan, Uttar Pradesh, Madhya Pradesh, Bihar, Maharashtra, and the Eastern Ghats in Orissa and Andhra Pradesh. Beekeeping has a tremendous potential, particularly in Bihar. Bihar is famous for its three varieties of honey: *litchee*, *mohwa* and *karanj*. Taking the acreage of *litchee* as about 24,000, hectares, Bihar can support 2,40,000 bee colonies on *litchee* alone. The crops of mango, guava, mustard, and rapeseed can help the bee colonies develop to facilitate the flow of *litchee* honey. The Muzaffarpur area is famous for *litchee* production and is also known for its *litchee* honey. The beekeepers in this region are mostly forest-dwellers and carry out the work of beekeeping in a

traditional manner. Details about the production process of honey and the organization of honey beekeepers in this region are discussed in Chapter IV.

### **Positionality and Researcher Bias**

One of the important issues relating to qualitative research is the positionality and potential bias of the researcher. I grew up in a big city and went to study for a college degree in an even bigger city. My background made it difficult for me to even imagine the existence of such a level of absolute poverty, illiteracy, ignorance and the lack of basic amenities which I witnessed in my survey areas. Because of the dramatic differences between my background and that of the interviewees, I had to overcome some of my own biases and try to view the world from the perspective of the workers who were working for less than a dollar a day.

Also, being from a Brahmin family, I was aware of the strong caste structure, and the first lesson I learned from my grandfather was—“*jo kabhi na jatee woh hai jati*”—“One thing which can never be separated from a person is his/her caste”. Thus, while visiting my own village and community as a student of social research, I always respected the sentiments and emotions of the respondents. For example, when I was surveying the families of the Madhubani painting artists, most of whom belonged to my caste (*Mathil Brahmins* or the upper castes in the region), I realized that they never talked to the lower caste families. So, I was not allowed to talk to the lower caste *Harijan* families. Later, however, I managed to conduct a few interviews with the female members of the *Harijan* or lower caste community, who were more excited about participating in the interview than anyone else in my survey.

In each survey area, I was accompanied by three or four other field researchers. We all attempted to arrive early and talk to the participants before they started working. We visited some of the places during the lunch hours. However, since the period January to April is a busy time for the handloom workers and honey beekeepers in the survey regions, it was challenging to contact them and strike up a conversation with them in order to and get the maximum inputs. However, with the co-operation of a few old trade union leaders and NGO workers, undertaking this project became a lot easier. The elderly trade union leaders gave us an overview of the region, helped establish contact with the workers and also gave us permission to talk to the women in the workers' families. Talking to women in a Muslim weaver's family is always very challenging for the researcher in rural areas because of cultural issues. The members of a local NGO group working for the region provide us with the history of the region and also gave us details about the integrities of the region and the sector. Apart from all these, at a personal level, while conducting the survey in the rural areas of Bihar, I felt quite confident and protected under the supervision of the elderly people in the village, who always treated me as a daughter of the village.

### **Generalizability of the Study**

Lastly, to what extent can the research be generalized to other rural parts of Bihar? As pointed out earlier, about 90% of the total population of Bihar resides in the rural areas and the state is among the least urbanized states in the country. Although agriculture is the main source of employment in rural areas, around one fourth of the workforce is engaged in non-agricultural occupations of which a large part is accounted for by traditional sectors. The nature and

characteristics of these sectors are more or less similar in other parts of Bihar. Although the traditional sectors are witnessing decay due to out-migration and lack of governmental support, still they account for a significant part of the rural informal sector in the state. As such although this study pertains to only two sectors in three districts, the findings will be relevant for a large parts of the non-agricultural rural informal sector of the state.

The chapter details the methodology, study location and the sectors to be studied in this research. The location of this study, the state of Bihar located in the eastern part of India, is one of the least developed state in the country. It is among the least urbanized states of India with only 10% of the population residing in urban areas. Around three-fourth of the rural workforce is engaged in agriculture and the other one-fourth is engaged in non-agricultural rural informal occupations, a significant part of which are traditional ones.. Although the selection of the research location within Bihar is purposive, reflects the realities prevailing in other parts of the state.

## **CHAPTER 4 - Bihar's Traditional Rural Informal Sector: A Snapshot**

This chapter contains an in-depth analysis of Bihar's informal economy. This section explores the nature and characteristics of the rural informal economy in Bihar, followed by an analysis of the survey data. Further, two focused case studies of different kinds of traditional informal sectors studied in this research highlight the detailed operation and embeddedness prevailing in the sectors, which often go unnoticed. For the case studies, we conducted a number of personal interviews during the survey. The questions for the interview focused more on an individual's personal experience of being in the industry. The views of the participants with regard to caste and religion acting as a barrier (or alternately as a facilitator) to entry in the formal or informal labor market was the focus of the interview. Apart from that, the interview questions ranged from the personal livelihood experience to the operation of the industry in terms of employment earning and social life. In total we interviewed around 15 workers in each sub-sectors. We were also interested in learning about what they want to do in the future: whether they want to move to urban areas or continue working in the villages. Overall, the chapter provides answers to each of the research questions posed in the study, i.e. how the rural informal sectors in Bihar can be characterized and how strong the are the ties in the rural areas in terms of an intermingling of social categories. Thus, the chapter describes the nature, characteristics and functioning of the rural informal sectors in Bihar.

## **From the Field: Characteristics of the Rural Informal Sector**

As discussed in Chapter II, the rural informal economy mainly consists of the rural landless lower-caste worker. This chapter addresses the existence of interlocked rural institutions embedded in the form of caste and religion, which play an important role in market operations. In rural India and particularly in rural Bihar, employment, the nature of work, land and asset ownership, labor participation by gender in the production process, education and income, all depend on the caste and religion of an individual. Both sectors selected for the survey show distinct demographic and socio-economic characteristics in terms of age, gender, education, landownership, nature of employment, method of payment, and wages of the workers.

As discussed earlier, the survey was conducted in three different locations in Bihar in two selected sectors: textiles and food processing. The sample consists of 142 respondents (48.97%) from the food processing sector and 148 respondents (51.03%) from the textile sector. The findings from the survey and their implications are discussed below. The discussion begins with the demographic, social and economic characteristics of the workers in both the sectors, and is followed by a brief overview of the type of enterprises and nature of employment and income categorization. Through the survey results, the study relates the various forms of insecurities faced by workers in the rural informal economy to measure income and social security. Although the inferences are drawn indirectly, the non-economic factors that play an important role in the formation of the informal sector in rural areas are explained in detail.

### ***Religion, Caste and Gender***

Religion, caste and gender constitute three important factors of binding and stratification in the rural Indian labor market, which is proven by the survey results. In the study, the textile sector is mostly operated by Muslims (slightly more than half) while Hindus dominate the food processing sector (constituting 68% of the total respondents). The survey regions in Bihar have a negligible population of members of other religions (like Sikhs and Christians); additionally these two sectors have also historically been dominated by Hindus and Muslims. Therefore, there are no workers of any other religion in the survey area.

**Table 4.1 Categorization of Workers According to Religion**

<b><i>Variables</i></b>	<b><i>Food Processing</i></b>	<b><i>Textiles</i></b>	<b><i>Total</i></b>
Male	97 (68)	95 (64)	192 (66)
Female	45 (31)	53 (36)	98 (34)
Total	142 (49)	148 (51)	290

*Note: The figures in parentheses show the percentage share within the sectors.*

In Indian society, caste plays an important role in both providing opportunities as well as acting as a barrier to entry in certain employment areas. The survey results show that workers belonging to “Other Backward Castes” (OBCs) dominate the sample of workers. Nearly 61% of

the total workers interviewed were OBCs, and only 6% belonging to higher castes in the social hierarchy, fell in the general category and other 33% comprises of other caste (like Schedule Caste (SC)- 11.03%).

**Table 4.2 Categorization of Workers According to Religion and Caste**

<i>Variables</i>	<i>Food Processing</i>	<i>Textiles</i>	<i>Total</i>
<b><i>Religion</i></b>			
Hindu	97 (68)	58 (32)	155 (53)
Muslim	45 (39)	90 (61)	135 (46)
Others	0	0	0
<b><i>Caste</i></b>			
SC	22 (15)	10 (7)	32 (11)
OBC	70 (49)	108 (73)	178 (61)
General	8 (5.6)	9 (6)	17 (6)
Other Castes	42 (29)	21 (14)	63 (22)

*Note:* \* General, i.e. Other than STs, SCs, OBCs, mostly upper caste;

\*\* Other Castes refer to those who did not disclose their caste.

The figures in parentheses show the percentage share of each caste within the sectors.

When segregated according to the sectors, almost 50% of the workers interviewed in the food processing sector were found to be OBCs, while almost 73% from the textiles sector were OBCs. Taking reference from the past studies on caste, we can say that most of the people who did not disclose their castes were more likely to belong to the socially deprived rather than the

socially privileged castes in the rural society. Further, segregation of the workers on the basis of gender shows that an overwhelming majority, including 192 out of the 290 (or 66%) workers interviewed were males, while only 98 were females. Among the industries surveyed, the workers in the food processing sector include 68% males and 31% females, while in the textiles sector, 64% of the workers are males and 35% are females.

### ***Education and Land Ownership and Income***

Low levels of education prevail among workers in the informal sector, particularly in the rural informal sector, which is vividly brought out in the educational profile of the sample workers within each industry. Among the total workers interviewed, almost 53% are illiterate, which highlights the lack of literacy in both industries. Further, the survey results show that workers in the food processing sector have lower educational attainment than those in the textile industry. The food processing industry has a larger illiterate population (57%) as compared to that in the textiles industry (48%). In addition, only 5.6% of the workers in the food processing industry have acquired education up to the secondary level as compared to 20% in the textiles industry. In both the industries, there is a minimal number of workers who have acquired any kind of higher or technical education.

**Table 4.3 Categorization of Workers According to Education of Workers**

<i>Variables</i>	<i>Food Processing</i>	<i>Textiles</i>	<i>Total</i>
<i>Highest Education Attainment</i>			
<b>Illiterate</b>	81 (57)	72 (48)	153 (53)
<b>Up to primary level</b>	48 (33)	40 (27)	88 (30)
<b>Up to secondary level</b>	8 (5)	30 (20)	38 (13)
<b>Higher secondary and above</b>	4 (3)	6 (4)	10 (3)
<b>Technical certificate</b>	1 (<1)	0 (0)	1 (<1)
<b>Total</b>	142	148	290

*Note:* Figures in parentheses show % share of each caste within the sectors.

**Table 4.4 Categorization of Workers According to Asset Ownership and Income**

<i>Variables</i>	<i>Food Processing</i>	<i>Textiles</i>	<i>Total</i>
<i>Asset ownership</i>			
<b>Land ownership</b>	50 (35)	24 (16)	74 (25)
<b>House/house site</b>	65 (46)	117 (79)	182 (62)
<b>No asset</b>	25 (18)	5 (3)	30 (10)
<b>Total</b>	142	148	290

*Note:* Figures in parentheses show % share of each caste within the sectors.

As regards the distribution of land ownership, it has been widely documented that the informal sector in the rural economy basically emerged because of the lack of land ownership among the lower caste people (Sharma, 1995). In this survey, only a little over 25% of the

workers own land (this figure is irrespective of the size of the land). Further, segregation of asset ownership according to the industries shows that workers in both industries have which larger house sites than land ownership which supports the earlier study by Sharma (1995). However, workers in the food processing sector relatively own more land than textile workers do, whereas the textile workers own relatively more houses than workers in the food processing sector. The food processing industry is traditionally owned by marginal farmers who, being unable to produce much agricultural output, started the food processing industry, which is why they have relatively larger land ownership than their counterparts in the textiles industry. The textiles industry, on the other hand, has always comprised home-based handlooms, which are operated by landless workers, and thus has more house owners than land owners among its worker population. A larger number of workers in the food processing industry are poor and without any kind of assets, as compared to textile workers. Thus we can say that the food processing sector is comprised of more marginal farmers unable to produce output and thus go for food processing where as the textile is operated by the landless workers.

**Table 4.5 Categorization of Workers According to Household Income**

<i>Variables</i>	<i>Food Processing</i>	<i>Textiles</i>	<i>Total</i>
<i>Income group (monthly income in US\$)</i>			
<b>0-20</b>	42 (31)	59 (42)	101 (37)
<b>20-60</b>	83 (61)	71 (51)	154 (56)
<b>60 and above</b>	10 (7)	8 (6)	18 (7)
<b>Total</b>	135	138	273

*Note:* Figures in parentheses show % share of each caste within the sectors; The Total for Income is lower because none of the respondents reported their income in the survey.

The monthly income group of the workers of these industries, as depicted in Table 4.5, indicates that there is a larger population of workers in the lower income group (which is considerably below the minimum wage of the state of Bihar). With the minimum monthly wage in the state of Bihar in 2005 being \$60, it has been found that only 7% of all workers earn more than the minimum wage in the region. From the survey, it can be seen that the textiles sector has a much larger number of poor workers, with 42.75% workers earning below \$20 per month and 51.45% earning below \$60 income per month, as compared to the corresponding figures of 31.11% and 62%, respectively, for the food processing industry.

### ***Employment Status and Nature of Occupation***

The workers in the survey were mostly working on a self-employed or partnership basis. Table 4.6 shows that a little over 50% of the respondents were self-employed, 27% were regular wage/salaried workers while less than a quarter or 21% reported being casual wage workers. As per the sector-wise distribution of workers according to employment status, there are more self-employed workers among the textile workers (67%) while in the food processing industry, 35% of the workers are self-employed and 36% are regular workers. The regular workers in the food processing industry are mostly piece wage contract workers. The relatively high share of self-employment and low share of casual workers in informal enterprises probably does not depict the real situation that prevails in the informal labor market in this region. Employment in these enterprises is essentially precarious and full of uncertainties. The textile workers who consider themselves self-employed have their own ancestral handlooms at home; however, they have no

raw material for production (evident from the interviews). In ancient times, the special varieties of handlooms for this sector were entirely indigenously produced in the homes wherein the special threads used for production were spin by the family members including women and children. However, with the introduction of the power-loom sector, the raw materials began being imported from other parts of the country, leading to unemployment in the region. Also, the self-employed weavers have no control over the sales of the final product and the profit accruing from these sales. They work on piece rate wages but consider themselves as self-employed.

**Table 4.6 Categorization of Workers According to Employment Status and Nature of Employment**

Variables	Food Processing	Textiles	Total
<i>Employment Status</i>			
<b>Self-employed</b>	50 (35)	100 (68)	150 (52)
<b>Regular</b>	52 (37)	28 (19)	80 (8)
<b>Casual</b>	40 (28)	20 (13)	60 (21)
<b>Total</b>	142	148	290
<i>Nature of Employment</i>			
<b>Part-time</b>	7 (5)	25 (17)	32 (11)
<b>Full-time</b>	135 (95)	123 (83)	258 (89)
<b>Total</b>	142	148	290

*Note:* Figures in parentheses show the percentage share of each caste within the sectors.

## **The Functioning of the Bihar Textile Workers**

### ***The Case of Handloom Weavers***

Although often romanticized as the forerunner of a special kind of art, today the handloom sector in any region of India largely personifies the story of impoverished weavers who are fast migrating to large cities in search of alternative sources of livelihood and ending up as unskilled laborers in other sectors. Further, capitalist growth has not dissolved these social institutions but has reconfigured them in diverse ways to suit the interests of organized capital. As discussed in the above section, the textiles industry in this region of the country is divided into sub-sectors—the handloom sectors for *tasar* silk and *Khadi* cotton-making, and traditional handloom paintings on *tasar* silk. Thus, the case study tries to capture the characteristics from both the sectors and explains them with the descriptions given by the workers involved in the textile industry.

### ***Structure and Organization:***

Traditionally, handloom weaving has always been a family occupation and has been practiced in a rural household set-up by members of the lower strata of society (a fact also observed from data in Tables 4.2 and 4.4). While *tasar* silk production is undertaken in clusters of villages in Bhagalpur by a large number of weavers<sup>9</sup>, the Madhubani *khadi* cotton currently faces a grim situation with very few weavers engaged in its production, and earning meager incomes. In the sprawling villages of weavers in these two regions, more than 1000 weaving

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<sup>9</sup> The silk cluster in this region has more than 30,000 handloom weavers still working on the traditional handlooms.

families out of the total workforce derive their livelihood from the textile industry. The production process in this industry is being vertically integrated and the labor process is being transformed from one using casual workers, confined to Muslim or SC<sup>10</sup> laborers working on the sites, to one that includes sub-contracted poor children and female workers. The weaver community in India is predominantly Muslim and the majority of them in this region belong to the '*bunker*' caste also known as the '*tanti*' caste, and counted as the backward caste. The structure of the weaving community has, in fact, evolved out of the integral cultural heritage of the handloom industry.

The nexus between religion, caste and gender is visible in the operating system of the traditional industry structure. The production process in the handloom sector is often a family occupation and every member performs different tasks depending on the nature of the work. The men, with strong hands, work on the loom to make cloth while the women and children of the family carry out the reeling, dyeing and spinning of the threads. The women in this community have often been highly active in the family production system. Textile-making entails the use of two kinds of thread, *thani* and *bharni*, which were earlier reeled by the women on the *charkha*. However, with the emergence of cheap machine-made threads in the market and the setting up of power looms, the weavers have started procuring the threads at cheap rates from the market, a result of which the demand for threads made from the *charkha* has declined. Thus, the first to lose their jobs due to the advent of industrial commodities in this community have been women. As one such woman from a weaver's family, Susma Devi, says, "Previously, women from other communities used to get married to [men in] our society to learn the special art of making

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<sup>10</sup>This caste has been categorized (under government records); however, often for the records they change their caste to OBCs.

threads. The women in our community used to make both kinds of threads, *thani* and *bharni*. *Bharni*, which is an important part of weaving, was the specialty of this region. But now due to the availability of the imported *bharni* thread, there is no demand for hand-made *bharni*; our daughters are also not able to learn the special method of making thread for weaving. Now we don't have much to contribute to the family production." The *bharni* used for a major part of the weaving in textile making is imported from Korea and China at cheaper rates than the indigenously produced thread and distributed among the weavers.

The operating system in this sector follows a mix of organizational modes with weavers working as self-employed workers from their homes but drawing incomes as per the piece rate system from master weavers and *mahajans* who distribute threads for weaving. Weavers' families<sup>11</sup> mostly have their own looms to work on and the family works on the basis of a "putting out system". Over the years, increasing pressure on the handloom sector and the emergence of the capitalist class, which has been able to accumulate a lot of wealth, have led to a decline in the number of independent weavers in the community. The pyramid of the occupational structure consists of the *mahajans* enjoying autocratic status in this community, followed by the independent weavers, and lastly come the weavers who earn poor wages. Both the *mahajans* and the independent master weavers enjoy an almost equal, dominating status in the weaving community but the striking difference between the two groups lies in the fact that the master weavers usually work on their own looms and engage only a few wage weavers to work for them. The *mahajans*, on the other hand, do not normally work on the looms and instead

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<sup>11</sup> The art of weaving is a family profession practiced by members of a certain community in India. Working on the powerloom can be learnt and then performed, but work on the handloom can be performed only by families of a certain community—the 'bunkers'. All households of this community have their own handlooms and use them to practice this inherited profession.

supply yarn to their wage workers (who actually undertake the weaving work), while also selling the final product. An interesting story was revealed during the discussion with the village folk about the creation of the *mahajan* class in the area, which is also known as the *sahukar* (local trader) class. According to this story, the *mahajans* were also weavers belonging to the same weaving caste earlier. However, with the accumulation of wealth over the years, they changed their caste and class from that of the low-caste weavers to that of the business class (who are ranked higher than the former in the caste hierarchy). The '*sanskritisation*'<sup>12</sup> of society plays an important role in changing the spectrum of class and caste in the case of Indian villages. Today, the *mahajans* treat themselves as capitalists and make the wage weavers work under their supervision on the "putting out" basis. Thus, in spite of their non-active participation in the major production function, the *mahajans* are in a position to assert an indirect but oligopolistic control over the entire production and marketing in the handloom sector, and enjoy the lion's share of the profit.

The working of the community reflects the darker side of the pure capitalist structure when the question of payment for work and distribution comes into the picture in the production cycle. The large-scale exploitation of wage weavers is due to their illiteracy and the prevalence of the piece rate system of wage payment. In the handloom sector wherein the work is manual and tedious, on a normal day of work, a weaver family cannot produce more than 8-10 meters of cloth material, which is why payment on the basis of the piece rate system leads to the marginalization of the weavers. The average wage paid to a weaver for his labor is Rs. 2 to 2.5

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<sup>12</sup> Over the years, some lower caste groups have shifted their ritual, customs, beliefs, and ideologies about life to those followed by the upper castes due to increasing contact between the two castes. They have also accumulated wealth and improved their economic and political position in society. This process has been termed as '*Sanskritisation*'. (See, Srinivas, 1996, p. 56).

per meter (5 to 6 cents per meter), irrespective of whether the individual is working alone or the entire family is involved in the production. The average remuneration for weavers working on the powerloom (who can produce 20 meters/day) is Rs. 40-45/day (\$1 to \$1.5 per day) and the income for weavers working on the handloom (who can produce 8 meters/day) is Rs. 16-20/day (40 cents to 50 cents/ per day)<sup>13</sup>.

### ***Constraints and Problems:***

The key issues which emerged from interviews are the lack of market opportunities and prevalence of illiteracy among the poor weavers. The weavers in this area have no access to either raw materials or markets for selling their final product. These are instead taken care of by the *mahajans*, who become the middlemen in the chain of operating system of the village economy. The *mahajans* obtain the raw materials from the distributors and then also collect the finished product from weavers to sell them in the outside market; they also give wages to the weavers for their work. The *mahajans* are normally highly profit-oriented business persons, who exploit the weavers. For instance, even if there is a small spot of damage on the cloth, the *mahajans* take the cloth without paying anything to the weavers and sell it at a discounted rate in market while pocketing all the proceeds. According to the weavers, they know that the *mahajans* are exploiting them and selling their products at higher rates in the market but they cannot challenge this as they are totally dependent for their livelihoods on the *mahajans*, who might even stop giving them work. As a young weaver, Iqbal, says, "I know how the *mahajans* work and take benefits out of our work but we cannot say anything against them as otherwise who will

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<sup>13</sup> Ideally, converting the rupee to a dollar does not the right approach for judging poverty as the purchasing power in India and the US differs. The minimum wage in that part of India in 2005 was Rs. 52 (\$1.5) per day.

give work to us? Also, if we accumulate some wealth and start our own businesses, it will still be difficult for us to survive among the *sahukars (mahajans)* in the market.”

An issue of serious concern that emerged from many interviews during the survey in this region is the widespread prevalence of tuberculosis (TB) among the weavers and the lack of proper medical facilities in this region. More than 80% of the weavers in this region, who work with their bare hands for 12-14 hours on looms with cotton, were found to be suffering from TB. It is not just the old weavers but even the younger ones and children who have been afflicted by this deadly disease. Further, the lack of proper medical services and awareness about the disease and its implications are causing more deaths from TB in the region. Thus to have good medical facility and better income, many of these workers migrate out to cities.

However, as documented, migration is always associated with the need-based movement which forces the poor to take up any kind of work in any part of the country (Sharma, 1995). However, the attachment of the weavers to their art and the solidarity within the weaving community draw the migrating weavers from these regions to work in similar industries away from their homes and even outside their state i.e. most of the migrants from these villages of weavers seek employment in firms working under the aegis of the textile industry like wool or carpet-weaving factories.

In most places, need-based migration usually occurs toward any place wherein the migrants can find work. However, the migration pattern from the study area shows a different picture with migrants instead of preferring to shift towards other kinds of work, usually seek

work in the same kind of industries. The out-migration from these two villages is usually towards the woolen industry in the north of India (concentrated in the cities of Ludhiana and Jammu). The reason for this kind of migration pattern can be found in use of traditional production methods, social networks and kinship ties, or the cultural embeddedness among the weavers. Apart from the trend of migration to similar industries, there is another noticeable aspect of migration from these regions. Migrant weavers migrate to take up work in woolen factories to earn a good living and to avail of better healthcare facilities in the city. However, a majority of the migrant workers, who migrate in the summer and rainy seasons, come back to their own villages to work on their own looms during the winter. Om Tanti, a 28-year old weaver from Bhagalpur, says, “We belong to the weaving community and have our own hereditary art, which has been giving us our livelihood for generations, and thus we want to save it. The winter afternoons are the most favorable time for producing silk on handloom with fewer chances of damage to the cloth”. The phenomenon of reverse migration or circular migration among workers for working on their inherited form of art demonstrate the prevalence of social ties that functions against or beyond the conventional neo-liberal economic principles of the market.

#### ***Future:***

When questioned about their future, the common answer given by most weavers was that they wanted government support and stalls for raw material and finished products. “We want to continue this work as we are born to do this. We want the government to open *Khadi Gram Udyogs* where we can sell our finished products directly so that we don’t have to deal with middlemen,” says Ashish Tanti. Also, all the weavers expressed the desire for better education and healthcare systems in the village.

### ***The Case of Madhubani Artists: Gender Identity or Shackles of Caste?***

Another form of highly informal textile work prevailing only in this region of the country is that of the ethnic art of making paintings on silk textiles, known as Madhubani painting because thousands of women in the villages of the Madhubani region practice this traditional form of art. Madhubani painting is practiced exclusively by women. The high demand for Madhubani paintings in the form of wall hangings, saris and dress materials has not only created a new market for the ethnic art of this region but also empowered the women by giving them both work and an identity in the world market. More than ten women artists of this region have earned high praise and won national and international awards for their works of art. A visitor to the villages of this region of India is thus likely to witness an afternoon gathering of women singing native songs while painting various religious and folkloric themes from memory.

#### ***Structure and Organization:***

The women of this village are mostly illiterate or at best have had only primary education; however, they showcase their talent through their art. Traditionally, the folk art was associated with culture and rituals, but today, Madhubani paintings signify a lucrative commercial art form, and attract middlemen, who take away a major part of the earnings accruing from these paintings. The commercialization of this village art form, embedded with a strong inbuilt caste–gender nexus, and without any government intervention, makes this industry

highly informal and unorganized. The operation and organization of this sector are characterized by few formal contracts, low income and the presence of middlemen.

### ***Cultural Stratification:***

The art of Madhubani painting is associated with Hindu religious culture. Thus, while religion does not play any role in the stratification of society, caste is an important factor in defining the work and level of superiority and hierarchy among the artists. The hegemony of caste prevalent in this community is exhibited by the color palette used for painting and the forms of art, which are used to identify the particular caste that the artist belongs to. The paintings by Brahmin women, for instance, use one or more of five brilliant color combinations—black, green, yellow, blue and red. Each color signifies an abstract idea and religious symbol. For example, the color blue signifies beauty whereas red signifies life (Thakur, 1982). Paintings made by lower caste women (untouchables or *Harijans*), on the other hand, predominantly use black and dark terracotta red. While the paintings of upper caste artists symbolize the themes of marriage, goddesses and mythological sequences, the lower caste women are allowed to draw only animals and nature elements. Ironically, thus, while the dominance of women in this work signifies female empowerment, on one hand, on the other, it also strengthens caste-based stratification by promoting discrimination among the artists on the basis of caste. The upper caste women believe that the art of self-expression through painting is the prerogative of their castes as God has blessed them with this talent and that the women artists belonging to the lower castes are merely copying their art for material gain. As Rama Devi, a renowned upper caste woman artist of this region, claims, “We the Brahmin women are allowed

to draw the Mithala painting as we are descendants of *Sita Mata*<sup>14</sup> and other women from the lower castes have started copying our art just to derive commercial benefits”. However, the lower caste artists, who cannot speak in front of their upper caste counterparts, deny this allegation of copying and argue that though they too put in the same effort in their paintings, it is always the Brahmin women who earn more money than them as society would never allow the lower caste women artists to earn more or have better living conditions than the upper caste artists. According to Savitri Devi (a *Harijan* woman), “Commercialization of art was started together by artists of both types of castes. Historically *Harijan* women make these paintings on their bodies in the form of tattoos and the Brahmin women used to make it on walls for rituals. We never copy their art as we have our own values attached to our art. We were the suppressed castes with less land and income, and so never had gold ornaments decorate our daughters on wedding, so we used to paint our bodies with tattoo. When the demand for paintings on paper and textile was generated, we started painting for commercial purposes. But still the Brahmin women earn more money for their paintings than us.”

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<sup>14</sup> In Hindu mythology as delineated in the *Ramayana*, goddess Sita is the devoted wife of Lord Rama. She is esteemed as one who sets standards for wifely and womanly virtues to be pursued by all Hindu women.

**Figure 4.1 Madhubani Painting**



***Constraints and Problems:***

While on the one hand, the large-scale demand and high prices of the artworks by Madhubani women reflects the empowerment of women and recognition of both the village art and women at the global level, on the other hand, there is a paradox as the commercialization of the art came only through the *sahukar* (middleman), who symbolizes the financial exploitation of the artists. The *sahukar* becomes the major profit-maker while the artists get meager returns for their work. The persistent lack of rainfall and sole dependence of the local families on the income generated from the paintings over the last couple of decades have also increased poverty in this region. The existence of a high degree of codification and stratification of caste in the region has exacerbated the problems of the artists and intensifies the informal nature of the industry. Caste also plays an important role in the selection and distribution of paintings for sale.

If the *sahukar* belongs to an upper caste, he selects only the paintings made by upper caste women for sale, and even if he does select any paintings made by women of lower castes, he gives them lesser returns even if they fetch a better market price. In addition, women belonging to the upper or forward castes get more opportunities than their counterparts from the lower castes, of exhibiting their work at global forums and international fairs. The market value of the paintings made by the artists from this village in the global market is as high as \$10-\$50 per painting; however, the rate of return accruing to an artist depends on whether she is a contract artist or an independent artist. The price of painting paid to a contract artist is determined on a piece rate basis, and ranges from \$2 to \$4, whereas an independent artist gets paid according to the size and content of the painting, with the price ranging from \$6 to \$20.

#### ***Future:***

Despite all the constraints and stratification in the industry, Madhubani paintings have created a new kind of image of the women members of the local communities. Also, there are facts and figures to show that the commercialization of folk painting has helped in the development of this drought-prone area. As one *Harijan* woman says, “Children from our community had never been to school before, but now due to some money in hand and awareness due to art tourism, our children are getting educated.” Last but not the least, every household in the community has raised the demand for government intervention in the procedure of marketing and selling of Madhubani paintings.

## **The Functioning of the Food Processing Industry in Bihar**

As mentioned earlier, though agriculture is the backbone of Bihar's economy, due to marginalization of land, most of the landless laborers have shifted to the agriculture-related food processing industry, which has been a key source of employment generation in recent years. Most of the members of this industry are self-employed, with a few working under the contract system as casual laborers. In order to facilitate a better understanding of the working of this sector, the survey was carried out in two kinds of food processing industries: the first consists of the honey beekeeping industry wherein the beekeepers use traditional beekeeping methods and which shows a unique kind of embeddedness in capital formation. In the second kind of food processing industry pertaining to processed agricultural products, however, the workers have opted to work in this industry because they lack other skills yet also want to be self-employed while catering to the demand for these products among the local population.

### ***The Case of Honey Beekeepers***

Honey beekeeping is one of the oldest food processing industries in this region. The interviews from this sector show a unique social structure and network. The strength of this business lies in its dependence on networking at the village level, which plays an important role in the production process.

As discussed in Chapter 3, beekeeping and the extraction and processing of honey have a long history in India. Honey was the first sweet food tasted by the ancient natives in India, who inhabited rock shelters and forests. Bihar is one of the leading honey-producing states in India. The main regions of the state in which beekeeping are undertaken are the districts of Muzaffarpur, Vaishali, Sitamarhi, Champaran, Madhepura, Katihar and Begusarai. Most of the honey beekeepers in Bihar still extract and process the sweet honey through ancient traditional methods. They inhabit forest or farm lands and travel from one forest to another, depending on the season for nectar extraction. The season for honey extraction in Bihar ranges from March to August and the varieties of honey produced include *litchee*, *mahua* and *makki*. After the month of August, the beekeepers temporarily migrate to other states for procuring seasonal nectar for the bees.

### ***Structure and Organization:***

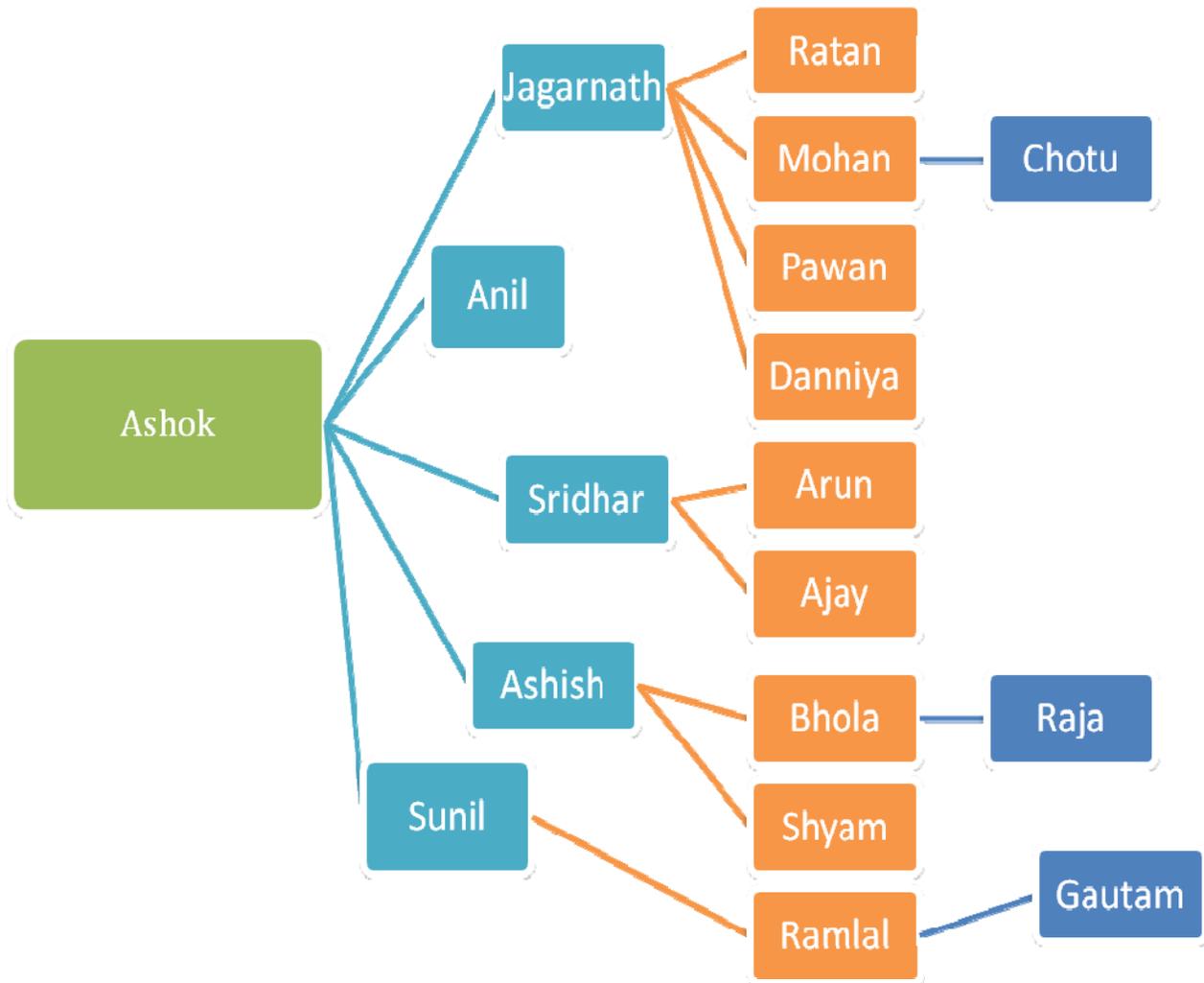
The beekeeping sector, in general, does not have any inherent values and culture like those followed by workers in the textile industry, but here, caste plays an important role in the process of social networking and selection of people to carry on the operations in the industry. The beekeeping industry was started in this region by members of the tribal community, who used to extract honey nectar from the wild bees and sell it both to firms and in the direct market. Lured by the lucrative business of extraction and processing of honey, and having no land of their own to practice agriculture, landless agricultural laborers of the lower castes began to work for this industry. This traditional food processing industry in the region surveyed is thus different from other such industries primarily because of the nature of its constituent workers and their organization.

Various interesting stories emerged during the conversations with beekeepers in the course of the survey. The most interesting response was to the question as to how the beekeepers organize themselves and how the operation system works in the forest. As per the prevalent system, the organization of workers in this sector starts with social networking among the community people. Among the group of people interviewed, six members and one head beekeeper had acquired formal beekeeping training from an institute. The head beekeeper, Ashok (age 40 years), started the beekeeping sector in his village and bought imported bees from the international market. Today, he has more than 100 boxes of beehives and has imparted training to more than 50 others in beekeeping. Ashok reveals that *at* the beginning of the new season, he and the other head beekeepers visit their village and try to motivate youngsters there to become members of their lucrative self-employment business. .

The head beekeepers recruit a few men from their village and the new workers work as assistants to the head for one to two seasons. Once the newcomers become capable of starting their own businesses, the head gives them 10-15 hives to start his own business that he can carry on through his networking skill. After the newcomers acquire proficiency in the work, they can either stay with the head beekeeper and share the costs or move out and form new groups. Thus, the structure of the beekeeping operation depends on networking by the functionaries, which leads to the creation of new networks. Specific cohesion and understanding are, therefore, created through social networking, which does not follow the market rules in the production process. In this sector in the region, no formal contract is drawn for the work and there are no set rules of the market, nor any regular pay, yet all the participants in the sector believe it to be a

good business. One of the participants, Pawan Kumar (aged 34 years) and his assistant Jagarnath (aged 20 years), who own 60 boxes of beehives and have been working in this sector for the last four years, state, “Bees are good for the environment and give us good money, so we are very happy to do this work. There is lack of government support and regular wages but still we like to be here rather than in the farms working under the landowners.”

**Figure 4.2 Social Networking in the beekeeping industry**



The head beekeeper claims that beekeepers encourage the selection of young village people to work as their assistants and group members. When asked whether caste plays any role in the selection of workers, Ashok, the head beekeeper, initially claims that no caste linkage is involved in this work. But then he adds, “Whenever I go home, and see that people of our caste and community are not able to earn a better living, I prefer to help them. Our work is full of risk

and depends on the co-workers' trust and reliability, we have to stay in the forest for months, and at that time, we need someone whom we can trust". He also adds that hiring workers for this work is difficult as few people want to work in the forests and with bees. His assistant, Bhola, who joined the work one year ago, explains his situation and why he prefers to take up this work by pointing out, "Earlier, I worked as a casual laborer in an ice-cream factory and for the landlords in the harvesting seasons, which used to give me enough money for sustaining my family. Now I am happier even though there is lack of income security, but still I am self-employed and work with my community people without any obligations or loans". Caste has always been the push and pull factor in the Indian rural labor market and also plays an important role in this sector for the organization of groups for beekeeping.

Another common theme that recurred throughout the discussion pertained to the characteristics of employment, and the marketing of the final product, which is mostly undertaken through a direct marketing system. The recurrent problem that emerged in the conversation was that of the lack of proper government intervention and the involvement of unscrupulous middlemen in the distribution process. The beekeepers incur high costs in the form of payment of bribes as they move from one place to another. Ashok (the head beekeeper) revealed, "Last year our group paid Rs. 600–700 (\$12–15) as bribes to local looters to enter another farm. Also, sometimes we have to pay monthly rent for the location to the farm owners". However, the income levels differ for all beekeepers and depend on the quality of the honey they collect and the season. They claim that in a good season, they get good returns for the product; otherwise it is difficult to recover even the cost of maintaining the bees, especially in the rainy season. Sambunath, one of the beekeepers interviewed, agrees and says, "If the season is good,

we don't have to go in search of buyers, but if it's a bad season, then we need to go out on the streets in search of buyers for the product". Thus, in a good season, both the production and earnings are high as the average production obtained from each box of beehives is 10–12 kg of honey while and in a bad season or during the rains, there are possibilities of almost zero production. If a wholesaler is available to buy the honey, he pays Rs. 70–80 per kg (approximately \$1.50). The prices in the retail market are higher but the beekeepers have to go door to door to sell their products. The honey is mostly bought by local customers or by the middlemen who then sell it to big refinery agencies.

### ***Constraints and Problems:***

The beekeepers, who move together from one forest to another in search of nectar for honeybees, often face many problems in terms of payment delays, looting, rent-seeking, and risks to their health and lives. Since they cannot stay away from the beehives for long (as they have to monitor the bees frequently) and cannot even take the hives to their home villages, the beekeepers have to keep their family visits short. Also, there are no formal contracts or payment methods in this work, and the distribution system works only through direct marketing. Apart from these personal constraints, the industry is also categorized as an informal sector, which is why there is lack of both income and social security for these beekeepers. When asked whether they have any health or social security insurance, the workers said, "No, we don't know about any kind of health insurance and we don't even need it, but if there is any kind of insurance for beekeeping, we would like to go in for it." Middlemen often play an important role in the distribution and marketing of the honey in this industry. However, these same middlemen also act as major obstacles in the income channel of the beekeeping industry as the income here is not

regular. The beekeepers prefer to stay close to the beehives and generally get caught in the traps of middlemen, who take away a major portion of the profits accruing from the sale of the honey to the refinery industries.

### ***Future:***

The production process in this sector exhibits a unique kind of social cohesion, wherein the co-habitants have to trust, support and live with each other while carrying out the work. Even though high costs are entailed in starting the work and the workers have to stay away from their families and villages for months together, with the attendant risks to health and life, yet members of the lower castes still want to take up this work. This willingness to work is not just due to the desire to earn money but to be self-employed. When asked about the kind of future these workers envisage by doing this work, one of the workers, Jagarnath claimed, “We want the government to consider our situation and support us with loans and security. We also want the government to set up a honey-collecting centre wherein we can get good returns from the production”.

### ***Localization of Processed Food Producers***

The state of Bihar is also famous for its large variety of processed agricultural products like *chuwra*, *sattu*, *papad* (kind of wafers) and *achar* (pickles) and *makhana*. Among all these processed foods, *makhana* or gorgon nut is unique to Bihar as it is grown commercially only in this state of India. All these processed foods are mostly perishable, and are produced and consumed locally. In Bihar, this industry has been traditionally managed and operated by the lower-caste Hindu community and they are often addressed with their occupation name. This

caste was formed to provide services to the upper caste community, which included making sweets and festival food, as well as working as agricultural laborers.

### ***Structure and Organization:***

There are a few people in this trade who have skill and talent and have worked in this industry for a long period of time, and are now entrepreneurs, while others are mostly landless laborers working seasonally in the agricultural fields. The flexible nature of the work, the small scale of operation, and low input costs have made this industry one of the fastest growing informal sectors of Bihar. The case study for this sector was carried out among workers engaged in different kinds of operations in the industry. This sector is characterized by casual or sub-contracted work, the nature and logistics of payment and place of work depend on the employer's needs. The scenario of unskilled labor in this sector is much less uniform than might seem at first sight, while within each branch of the industry, the division of tasks is far more complex than an outsider might assume. The supply of raw material, the production process, distribution of finished goods and payment methods—all these depend on the nature of work and the product. The production of refined grain products constitutes seasonal work and requires more workers and resources in the season, but the production of pickles and *papads* takes place throughout the year. The sheer survival of the workers depends on their will and ability to be as flexible as possible in their choice of work, and to take on any work on offer. While most of the workers prefer to work close to their homes, they have to go even far away if there is no alternative.

Although women and children are active participants in this industry, they are often paid very little for their work. Most of them work from home for long hours and earn minimum incomes as per the piece rate system. The family of Santa Devi consists of six members including her five daughters. Santa Devi's husband abandoned the family ten years ago as no boy child was born in the household. Earlier, Santa Devi used to work in a *papad*-making factory but her income from that was insufficient to sustain her large family. However, when her daughters grew up, they started a new home-based food processing unit to produce pickles and *papads*. They now procure raw material from the retailer on credit, and then the family works together to produce pickles, *papads* and grain sweets. Many female-headed families in this community undertake the same kind of work for a living as Santa Devi's family. They sell their products through street vendors, who come and collect the finished products from each household and sell them door to door or from stalls at the main village market. Then the vendor, after deducting his share, gives the money collected from the sale to the producers. The vendors in this case have an upper hand in the production process and nobody can question their share of the income. All the women producers know this and have socially accepted the system. Admitting that the street vendor takes away a major share of their income, Santa Devi complains, "We cannot do anything about it because he [the vendor] is a man and if he discontinues taking the products from us, then we will not be able to earn even the amount that we are doing now. My daughters are getting old and I can't send them out into the market." When asked about her future plans, she says, "I wish I had a son but now I can only hope to get a good son-in-law for one of my elder daughters who can open a shop and we all women in the house can make good products and sell them at lucrative prices". Regarding the role of caste in the operation of the industry, most of the women did not say much. The only answer obtained from the survey was, "We are women of the lower

caste, we were born due to the curse of our last birth and we have to go through all kinds of struggles to be born in the upper castes in our next birth.”<sup>15</sup>

### ***Future:***

This home-based food processing industry is thus one of the very widespread informal economies operating in the rural and semi-urban areas. The industry is run by landless workers and their families and acts as a kind of support by enabling them to earn a better living. Since the industry is categorized as an informal industry, it does not offer regular contracts and wages, but the members of this industry are content with their working style and enjoy their status of self-employed workers with no supervisors. When asked about the kind of future she would envisage for herself, Dani (the oldest daughter of Santa Devi) says, “We are happy to work together for our own business and in future, we want to open our own factory with some government loan. However, if we have recourse to some government channel to sell our products in the outside market, we can have a better future and our special food can be distributed all over the country”.

Overall, the chapter describes the nature and characteristics of the two informal sectors in the study area, providing evidence from the collected survey and interview data. . The characteristics of the two rural informal sectors have been explored by examining the data variables like gender, caste, religion, income group, education, and land-ownership. Further, the case studies illustrate the organization, production patterns, constraints and problems, and the future of the workers working in these sectors in the rural areas of Bihar.

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<sup>15</sup> The issue of the double burden of lower-caste women has been documented widely in caste and gender literature (see Dubeck and Borman, 1996). However this issue is out of the purview of this thesis.

## **CHAPTER 5 - Research Findings, Conclusions and Recommendations**

The study documents some of the hidden characteristics of the rural informal sector in India. Drawing on case studies based on surveys and interviews from the eastern state of Bihar, the thesis illustrates the importance of social ties and networks in the functioning of the informal sectors, and how these networks develop a means of subsistence for workers in the stratified and codified society. In this research, special relevance has been given to the perceptions of the rural informal workers of the particularities of the context in which they live. In particular, this study contributes to the literature describing the operation of the rural informal economy in relation to the embeddedness theory.

### **Research Findings**

The demographic profile for a majority of the informal sector workers surveyed was more or less similar to any other kind of informal work in any part of India. The stereotyped definition of informal workers in India describes them as workers with low education, and lacking any formal skill and a regular income. In my research, a large majority of the workers in the informal sector were either illiterates or educated only up to the primary level. The earnings of the workers in all the sectors surveyed were low in general and had been stagnating in the recent past. The workers, irrespective of where they work, had to put in long hours of work and

accept heavy workloads. The long hours of work with low income act as constraints and prevent the workers from taking other part-time jobs for enhancing their earnings. In addition to the non-availability of additional work, the lack of education, work-related and other health problems, and the indifferent behavior of the employers and middlemen, were some of the other problems confronting the workers we surveyed.

### ***Food Processing Industry***

As mentioned in Chapter 3, the solidarity among workers in the food processing sector, especially in the honey beekeeping sector, in Bihar is the result of village networking and plays an important role in the production process. The results from the survey in the food processing sector show a unique form of social networking and ties that bind the socio-economic structure of the industry. Social networking in this sector begins with the head beekeeper recruiting people from his community and teaching them ways to maintain the hives for one season. Thus, the embeddedness in the operation of this industry arises out of caste networking. The heads of each group claim that they do not show any bias towards members of their respective communities, but they do admit that they encourage people from their communities to join them in order to improve the quality of their lives. Caste identity thus facilitates the organization of workers in this sector. The workers in this sector want the state to help them by providing insurance for their bees and other benefits for them, but they don't want to operate under any supervision.

Another type of food processing sector in this region is the traditional industry of making perishable home-made processed food for local consumers. This industry is a major source of

employment for the unskilled workers of the rural areas in this region. The women and children of the household constitute an important part of this sector, but are low profile and hardly visible while quietly going about their household chores. The industry is historically owned and managed by lower- caste Hindus, who were not allowed to own land. Thus even today, the industry exhibits the same hierarchy and is mostly managed by the lower-caste Hindu families. While a certain part of this industry operates within the formal economy framework with workers employed under factory contracts, a major portion of the industry still works beyond the formal system and operates with the help of social networking formed out of caste and religion. The work is mostly undertaken at a small and cottage industry level, and the sale of the final product is effected through direct marketing in the local market or door-to door selling. From the supply of raw material to the selling of the final product, there are different sets of network relations among the workers, sellers and consumers. Both kinds of food processing industries mentioned above comprise a special type of informal work wherein the interaction of caste and religion create an opportunity to work, while at the same time, placing a barrier to the entry of people from other castes and religions. Overall, as the data and the case studies indicate, caste and religion play an important role in defining the relations and structure of operation in this sector.

### ***Textile Industry***

The case of the rural textile industry in Bihar provides more data for studying the nature of the rural informal economy. From the rigid imposition of caste and religion in the work profile of the artists engaged in Madhubani painting to the notion of circular migration among the

handloom weavers, the study of the textile sector adds a distinct dimension to the extant research on the rural informal economy.

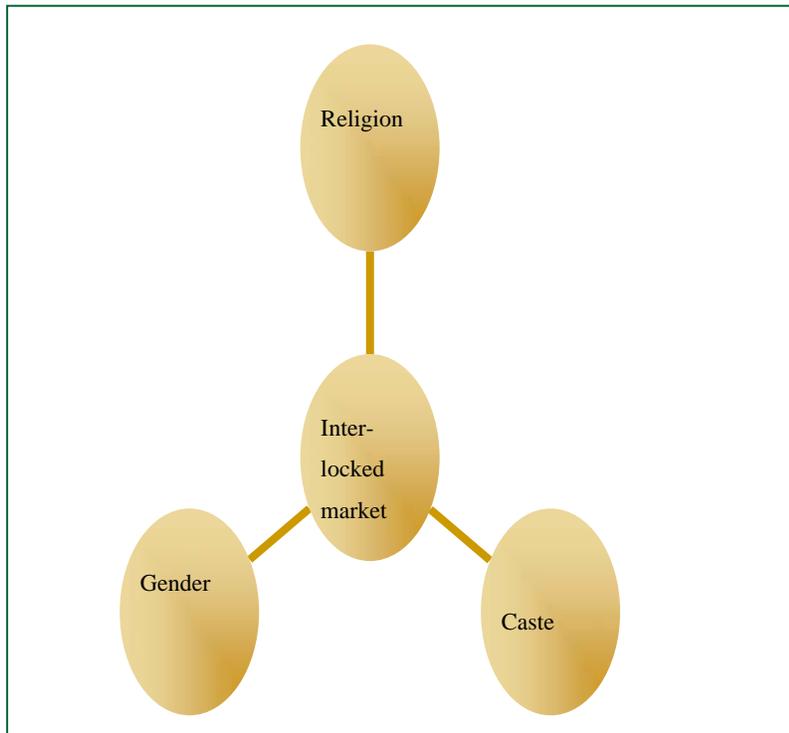
The handloom industry, which is primarily operated by Muslim and lower-caste Hindu weavers of the village, demonstrates the prevalence of a rigid hierarchy of religion and caste. Also, the circular migration of weavers from these villages has created alternative relationships between the producer and the product, wherein weavers go out of their villages to work in factories in the summer and return to their villages in winters for working on their own looms. Another noticeable aspect pertaining to the migration of weavers is the trend of migration to work in woolen or leather factories. Migrants often face institutional barriers within an inter-cultural context, which affects the ability of the migrating population to engage in economic activities. Further, the solidarity of the weavers toward their art and their fellow weaving community motivates them to migrate and work for a similar industry outside their villages. The adults migrating from these villages of weavers migrate for work and most of them take up work in the firms working under the aegis of the textile industry like the woolen, leather, or carpet weaving factories. Further, the circular migration, which occurs despite better working and earning prospects in the factories in the city, offers another picture of embeddedness. The trend of workers moving out of the village to work in a similar industry can thus be related to social networks, social capital, and the kinship ties prevalent among the villagers. However, the phenomenon of reverse migration or circular migration to work on their inherited form of art can be described as a form of social or structural behavior that functions against or beyond the conventional neo-liberal economic principles of the market.

Thus, the existence of strong ties and networks both within and outside the village demonstrates the existence of a caste and religion hierarchy at the community level, as production is an important aspect of the rural traditional textile sector of Bihar. Further, the migrating weavers working for a similar line of industries that operate in the village, even in the destination state and the notion of circular migration reiterate the role of caste and religion in forming strong kinship ties within an embedded economy.

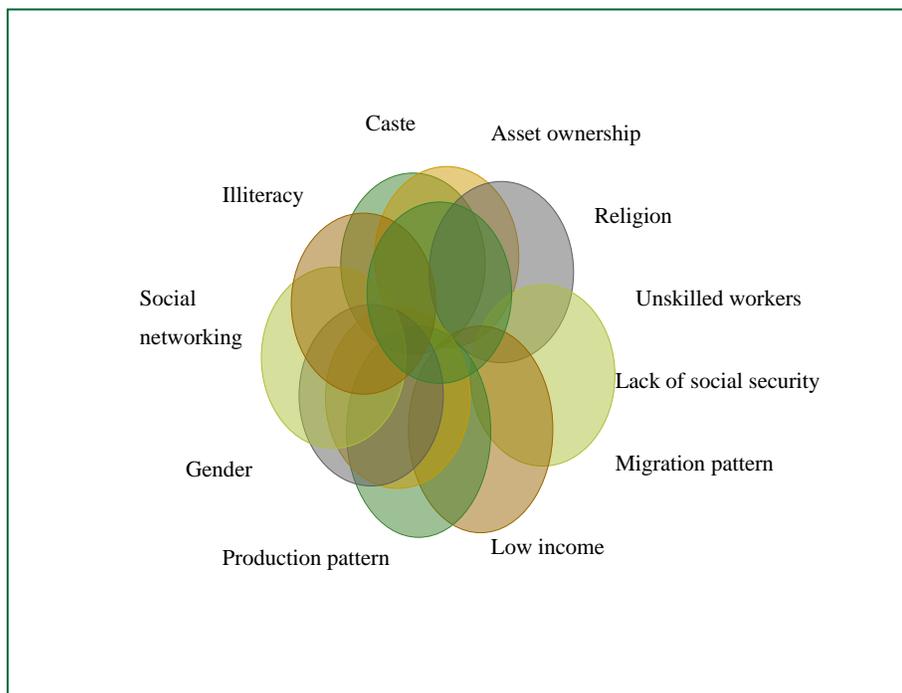
Figure 5.1 depicts the characteristics of the rural informal sector in rural Bihar that has been explored in the study. It illustrates that within the outer layer, the rural informal sector stands on three pillars: religion, caste and gender, which play highly significant roles in building the rural informal sector in Bihar. However if one explores deeper, more complex characteristics of the rural informal sector are visible, wherein the basic determinants of caste, religion and gender interact with other aspects of the market like modes of employment and the other factors influencing the operation of the industries.

**Figure 5.1 Characteristics of Rural Informal Sector**

*Outer Layer*



*Deeper Inside*



## Conclusion

Overall, the present study, which is based on extensive fieldwork, identifies the sources of social embeddedness in the rural informal sector. The study highlights the multi-dimensional nature of the embedded economy in the rural areas of Bihar. In the context of India, wherein work signifies a non-commodified aspect of life (Gough, *et al.*, 2004), various social structures, into which the workers are integrated, affect the choices of the workers. As Dube (1995), explains that for the rural Indian society, the primary unit is the joint family and every family belongs to an exogamous division of a caste and group of these caste creates the village. Thus in Indian rural society, the socio-economic affairs are controlled at three levels—family, village and caste.

The results from this study confirm that social relations do indeed vary in the expected institutional hierarchies of caste, tribes and religion in India. Since status is determined in part by who one associates with, it should not be surprising that the lower caste honey beekeeper adheres to the network consisting of other members of his caste and the Brahmin middleman in the Madhubani painting sector too forms ties with the female artists of his own caste. The data obtained during the course of the study also highlights the social exclusion of these workers from all other village works.

The smooth functioning of any production system depends largely on the availability of raw materials and other inputs at reasonable rates and the effective sale of finished products. This necessitates the existence of abundant and well-managed raw material sources as well as an efficient distribution and marketing infrastructure, which can curb the present monopoly of *mahajans*, *sahukars* and middlemen in the system. In order to arrange for ancillary facilities for the workers, the state needs to ensure an efficient supply chain in the operating system by installing rural kiosks and virtually eliminating all the middlemen from the system.

The Government of India has implemented some social security measures for the rural economies like the Minimum Wage Act (1948), and the Prime Minister's Employment Scheme (PMRY, 1993). Very recently, the Government of India also initiated a public works program for providing employment guarantee to the poor in rural India. This scheme, known as the National Rural Employment Guarantee Act (NREGA, 2005), has the twin goals of poverty alleviation and economic development in the rural areas. The NREG scheme provides employment and wages to rural workers for at least 100 days in a fiscal year. In February 2006, the National Rural Employment Guarantee commenced its five-year implementation trial plan in selected districts. After only a year of its operation, already over 31,173,679 job cards have been issued and over 13,666,162 people have gained employment under the NREG Act. This scheme thus seems to be on course for providing better livelihoods to those who cannot afford to earn even two meals a day. However, independent evaluations by some agencies have proved that NREG has not been a very successful model for many rural communities in India, but nonetheless it denotes a positive start in the task of poverty alleviation (Sainath, 2008).

Often, such social security schemes are designed primarily on the basis of economic principles. However, the labor market as a social institution seems to be at odds with these social security principles. Thus, non-recognition of the heterogeneous nature of rural communities and the needs and aspirations of various social groups and institutions can symbolize one of the lacunae in the efforts of the State, efforts, which leads to the failure of the schemes intended for the development of the rural community. The case studies demonstrate that the organization and operation of the rural sector are tied to special networks, and that the institutions of caste and religion play important roles, which often goes unnoticed by the state while it is implementing any scheme at the grassroots level.

Another important finding emerging from the survey results was the existence of stratification based on factors like caste and religion, which, on one hand, provide opportunities to some workers, while on other hand, places a barrier to the entry of others. Thus, what is needed is a differential approach to social assistance, while taking into account social aspects like networks and embeddedness. Employment generation programs need to be designed and implemented in such a way that they ultimately increase productive assets—both private or social, in order to facilitate a positive impact on the local economy and society as well as to generate further employment and enhance the income-earning potential of the poor groups. Apart from decentralization, the organization of the poor and the prospective beneficiaries needs to be encouraged. From the survey and interviews, it has been found that people's networks and social ties can play an important role in ensuring the effective implementation of any program.

Lastly, as suggested by Granovetter, embeddedness is manifested through social networking. Drawing from references of the cases in rural Bihar, the study contributes to the

research on social networking as a major aspect of embeddedness in rural Indian society. However, the difference between the older research on embeddedness and this study is that most of the earlier studies were based on the urban economy of an industrial nation, whereas the present study is based on the data gathered from the rural areas in a developing country. In fact, the theory of embeddedness is more relevant in analyzing the realities as prevailing in the rural informal sectors of the developing countries.

## **Recommendations**

One solution that has been proposed for rectifying these problems accruing from the informal nature of employment, across a wide range of literatures on the subject, is to formalize the work in the informal sectors (Unni and Rani, 1999; Breman, 2002). However, the present research points out that formalizing the work in informal sector is not the only way to solve the problems existing the informal sectors. The problems in rural informal sectors are much more complex in nature than the urban informal sectors. Thus we need a more holistic approach to tackle the complexities of rural informal sectors.

Thus, the findings of the study show that the functioning of the rural informal sector is governed to a large extent by the traditional institutions of caste, religion and gender. The social networks formed on the basis of these traditional institutions have not shown signs of much decay over time. These insights of this study have some important implications for policy. The state policies for the rural informal sector can be more effective if these social networks are used for delivery of services and support system. Measures like National Rural Employment

Guarantee Programme may be very important in enhancing the livelihoods in these areas. Here again, the role of social networks may be very important in its effective implementation.

One recommendation that can be made to policy-makers is to recognize and respect the nature of embeddedness of the rural informal sector and that the efforts of workers in the rural informal sectors go beyond merely functioning as components of a market economy but actually dedicate themselves to saving their hereditary art forms. The State should encourage these workers to continue working in their traditional forms and provide them a decent environment for work along with social and health securities.

Thus, it is imperative for the State to first create livelihood opportunities for rural workers, which can provide them a regular income in the sector wherein they are working. The State should reorganize the embedded nature of rural India and try to provide better living conditions for the workers by encouraging them to work in the sectors. Strengthening of the National Rural Employment Guarantee program can also play an important role in this regard by providing them additional employment opportunities. Secondly, a certain kind of equity program should be introduced to help the workers augment production as well as to provide better working and living conditions. Thirdly, rural non-farm cultural tourism may be one way to promote the development of this region and to help preserve its cultural art.

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## Appendix A - Questionnaire for the Survey

### *Worker's Interview Schedule*

#### Block 1: Worker's Identification

1.1	Name	
1.2	Sex (male-1, female-2)	
1.3	Age (in completed years)	
1.4	Caste (ST-1, SC-2, OBC-3, ,general caste-4, others-9)	
1.5	Religion [Hinduism-1, Islam-2, Christianity-3, Sikhism-4, others (specify)-9]	
1.6	Education (illiterate-1, up to primary-2, up to secondary-3, higher secondary & above-4, technical certificate/diploma/degree-5)	
1.7	Employment status (self-employed-1, regular-2, casual-3)	
1.8	Duration of stay in the present location (dd/mm/yy)	
1.9	Mention the name of the last usual place of residence (State/District/Block)	

#### Block 2: Details of Current Work

2.1	Nature of employment (part-time-1, full-time-2)		
2.1.1.	Reason for pursuing part-time job (use code)		
2.2	Shift (day-1, night-2, both-3)		
2.3	Describe the work you do		
2.4	Working hours per day		
2.5	Number of days worked in	1. Last 7 days	
		2. Last 30 days	
2.6	Who decides the wage? (not applicable for OAE) (employee-1, employer-2, both-3, others (specify)-9)		
2.7	Mode of payment (not applicable for OAE) (piece-rate-1, time-rate-2)		

2.8	Periodicity of payment (not applicable for OAE) (day-1, week-2, month-3)	
2.9	Remuneration in the last month (Rs.)	
2.10	Additional benefit received from the employer in last 365 days (use code)* (not applicable for OAE)	
2.11	Do you know if the government has fixed a Minimum Wage for your work? (not applicable for OAE) (yes-1, no-2)	
2.12	If yes in Q.2.11, is the wage you receive less/more/equal to the prescribed Minimum Wage (not applicable for OAE) (less than-1, equal to-2, more than-3)	
2.13	If the wage you receive is less than the Minimum Wage, specify the reason (not applicable for OAE) [poor bargaining power -1, some labourers undercut the minimum wage rate due to hostility of employer-2, other (specify)-9]	
2.14	Skill classification at the workplace (unskilled-1, semi-skilled-2, skilled-3)	
2.15	How much time did you take to learn the skill required for the present work?	
2.16	Scope of improving skill at current workplace [yes: through on-the-job experience-1, formal training-2, others (specify)-3; no-9]	
2.17	Are you a member of any of the following organization / association? [yes: union-1, NGO-2, SHG-3, political party-4, other (specify)-5; no-9]	

**Codes for Q.2.1.1:** full-time job is not available-1, household responsibilities do not permit to take full-time job-2, health reason-3, attending school/college-4, others (specify)-9

**Codes for Q.2.10:** leave with wage (including weekly off, if any)-01, overtime-02, assistance for children's education-03, medical aid-04, clothing-05, transport allowance-06, meals-07, housing-08, bonus (cash/kind) -09, commission on sales-10, EPF-11, others (specify)-12, no additional benefit-99

### Block 3: Work History

	Duration of association with the	Industry / Employer	Days	Months	Years
.1		1. Current industry			
		2. Current employer (not applicable for OAE)			
.2	Whether pursuing any additional work currently (yes-1, no-2)				
	If, yes in Q.3.2, mention the following characteristics of the additional job				
.2.1	Industry (2 digit NIC)				
.2.2	Occupation (2 digit NCO)				
.2.3	Duration of involvement (dd/ mm/yy)				
.2.4	Income from additional work (Rs.) in the last month or week				
	Reason(s) for pursuing additional work				

.2.5	[to supplement income-1, not enough work-2, both-3, others (specify)-9]			
.3	Whether seeking/available for additional work [yes: to supplement income-1, not enough work-2, both-3, others (specify)-4; no-9]			
.4	Whether seeking/available for alternative work [yes: present work not remunerative enough-1, no job satisfaction-2, lack of job security-3, workplace too far-4, wants regular salary job-5, others (specify)-6; no- 9]			
.5	If the following changes have occurred in the workers life in last one year, please specify	Category	Whether changed (yes-1, no-2)	If yes in col.(2), mention the last category
		(1)	(2)	(3)
		1. Employment status (self-employed-1, regular-2, casual-3)		
		2. Industry (NIC 2 digit)		
		3. Occupation (NCO 2 digit)		
.6	If the worker has changed industry and/or occupation in last year , specify the reasons(s) (use code)			
.7	Whether changed establishment during last one year [yes-1, no-2] (not applicable for OAE)			
.8	Was the income you earned last year sufficient to meet the basic needs of self and/or household? (yes-1, no-2)			
.9	If no in Q.3.8, what attempts did you make to meet the basic needs? (specify)			
.10	If no in Q.3.8 and no attempts were made to earn more income, specify the reason(s) (code)			

**Codes for Q.3.6:** loss of earlier job due to: retrenchment/lay-off-1, closure of unit-2, for better earning-3, no job satisfaction-4, lack of job security-5, workplace too far-6, promotion/transfer-7, others (specify)-9

**Codes for Q.3.10:** non availability of additional work-1, lack of sufficient skill-2, heavy work load in the present job-3, health problem-4, hesitation in availing additional employment opportunities for some reason (e.g. for fear of loosing the existing job)-5, other (specify)-9

#### Block 4: Unemployment History

4.1	Whether remained unemployed continuously for more than a month for any time in last 365 days (yes-1, no-2)		
	If yes in Q.4.1, specify the following:		
4.2.1	Duration (mm/dd)		
4.2.2	Reason		

	[seasonal pattern of work-1, end of contract-2, lack of skill-3, health problem-4, accident -5, conflict with the employer-6, fresh entrant in the labour market-7, others (specify)-9]	
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**Block 5: General Work Condition**

6.1	Do you have access to any of these in your workplace? (yes-1, no-2)	1. Safe drinking water	
		2. Toilet	
		3. Safety equipment (e.g. first aid, fire extinguisher, etc.)	
6.2	If you have safety equipment in your workplace, mention the following	1. Knowledge of use (know how to use-1, do not know-2)	
		2. Encouraged by the employer to use (yes-1, no-2) (not applicable for OAE)	
6.3	Do you have the following in your workplace? (yes-1, no-2)	1. Proper ventilation	
		2. Proper lighting	
		3. Proper spacing	
6.4	Do you have any of the following problems in your workplace? (yes-1, no-2)	1. Air pollution	
		2. Noise Pollution	
		3. Foul smell	
		4. Sound pollution	
6.5	Have you faced any work-related health risk in last 365 days? [yes: accident at work site-1, work-related health hazard-2, others (specify)-3; no-9]		
6.6	Do you work in a psychologically harsh environment? (specify) (not applicable for OAE)		
6.7	Do you think that you are discriminated against on the basis of sex/ caste/ religion? (yes-1, no-2) (specify) (not applicable for OAE)		
6.8	When you lost your last job due to retrenchment/closure of unit, did you get any compensation from your employer? (yes-1, no-2) (not applicable for OAE)		
6.9	Do you think your present employer will compensate you if you were laid-off/retrenched or the unit is closed down? (yes-1, no-2) (not applicable for OAE)		
6.10	Do you think your present employer will ask you to leave the job any time s/he pleases? (yes-1, no-2) (not applicable for OAE)		
6.11	Has your earning improved in last five years? (yes-1, no-2)		

**Block 6: Indicators of Social and Employment Security Measures**

.1	Have you received any of the benefit(s) from government assistance/programmes during last year? (yes-1,no-2)	
.2	Type of benefit* (use code)	
.3	Nature of benefit* [financial help-1, material help-2, capacity building (training & skill development)-3, others (specify)-9]	

Codes for Q.7.2: *housing-1, scholarship-2, old age pension-3, widow pension-4, unemployment benefit-5, maternity benefit-6, wage employment-7, self-employment-8, benefit under workman's compensation act (WCA)-9, others (specify)-10* \* *In case of multiple responses, use multiple codes*

## **Appendix B - Questions for the Case Study- Interview**

- 1) What is the production process in terms of the following:  
    Source of raw material,  
    Cash and credit market  
    Distribution system
- 2) What is the extent of the government involvement—in procuring raw material and/or distributing the finished product?
- 3) What role do the community's caste and class linkages play in the occupational Hierarchy?
- 4) If the person is migrating—then why and where?
  - a. If coming back, then why?
- 5) Issues
  - a. Days of working and non- working?
  - b. Why is the worker self-employed— due to lack of work and/or income?
  - c. Role of gender in the work—what work do the women of the household do?
- 6) Is caste is a factor of inclusion or exclusion?
- 7) What kind of social security do the workers avail of?
- 8) What are the other problems faced by the workers?
- 9) What are the future plans and ideas of the worker: does he/she want to continue working for the same industry or to move somewhere else?

## Appendix C - GLOSSARY

1. *Achar*- home made Indian pickle
2. *Bazaar*—Local marketplace
3. *Brahmin*—Priestly caste
4. *Bharni*—Thread used for making fabric
5. *Chuwra* — Flat rice
6. Dalit—Lower caste people, mostly untouchables
7. *Karanj*—Oilseed plant
8. *Khadi*—A form of cotton, usually hand-spun
9. Khadi Gram Udyog—A government-run organization to support the cottage industry in India
10. *Litchee*—A summer fruit
11. *Makhana*—Kind of dry fruit grown under the lake water
12. *Mahua*—Kind of weed plant
13. *Mythili Brahmin*—Member of an upper caste
14. *Papad* — kind of tortilla wafers made of made of fragrant spiced lentil flour
15. Sahukar—Middleman or businessman
16. Sattu — powdered baked gram, a high energy giving food usually mixed with water or with milk. Sometimes, sattu mixed with spices is used to prepare stuffed 'roti'
17. *Tanti*—Weaver caste
18. *Tasar*—A variety of silk famous in the Bhagalpur region of India
19. *Thani*—A form of thread used for making fabric
20. *Varna*—Four broad divisions of caste in India