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Rina Agarwala

Excerpt

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I

Introduction

Informal Labor and Formal Politics

“Listen sister, we are just poor folks who work to put bread in our stomachs. We can’t do anything else. If we ask for more, we lose our jobs. If we lose our jobs, we will die,” explained Basama, an unskilled construction worker in Mumbai, India.¹ Basama’s statement reflects a sentiment of vulnerability often heard among poor, informal workers in India. Informal workers produce legal goods and services but engage in operations that are not legally registered. Therefore, unlike formal workers, informal workers are not officially recognized by their employers, and they are not regulated or protected by fiscal, health, and labor laws.² Although some work at home or in unregistered subcontractors’ workshops, others operate openly on the employers’ site or in a public space (such as the street). As a result of receiving decreased protection, informal workers usually work in harsh conditions, with low levels of technology and capital, and no labor rights.

In most developing countries, informal labor – labor that is not formally protected – represents the majority of the labor force. In India, informal workers comprise 93 percent of the labor force or 82 percent

¹ Interview, August 21, 2003.

² In recent years, these workers have been variously called “informal,” “precarious,” “casual,” “nonstandard,” “Post-Fordist,” and “flexible.” I use the term “informal” throughout the book. This definition of informal workers was first offered by Portes et al. (1989). It has been accepted in much of the literature on informal work; see Cross (1998), De Soto (1989), and Portes (1994). To operationalize this definition, I use the worker-based definition of informal work that was endorsed by the 17th International Conference of Labor Statisticians (ICLS) in 2003 and used by the National Sample Survey of Employment and Unemployment (NSS) in India in 1999–2000.

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of the nonagricultural labor force.³ This informal labor is central to contemporary economies. Informal workers construct buildings, build roads, grow and sell fruits and vegetables, clean homes and streets, sew clothes, weld car parts, and make shoes – not to mention the boxes they come in. Despite early predictions of its eventual demise, informal labor has remained entrenched in poor countries and has even shown signs of growing in rich countries. During the 1980s and 1990s, the world's informal labor force grew as economies expanded and global employment increased by 30 percent (ILO 2008). After the 2008 financial crisis shook the world, the need for low-cost, flexible informal labor was predicted to increase even more (Koba 2009). The undeniable fact is that unregulated, unprotected workers can no longer be viewed as marginal or temporary. Yet, despite their significance, informal workers continue to live in dire poverty and insecurity.

To improve the lives of informal workers, activists from the left and the right have long tried to bring them into the fold of formal labor regulations. In India, and elsewhere, this approach has run into several obstacles and has largely failed. First, Indian labor regulations, which are relatively progressive, protect only a minority of the working class, and capital continues to avoid labor regulations by hiring workers informally. Second, even the minimal prospects for formalization have waned since the Indian government launched its version of neoliberal reforms in 1991.⁴ At the center of the reforms has been an ideological shift from a belief in state regulation of capital, labor, and citizen welfare toward a new ideal of unfettered markets. This ideological shift has been credited for both the breathtaking speed of India's economic growth in recent years and its increasing income inequities across and within states (Deaton 2003; Deaton and Kozel 2005; Dreze and Sen 2002).

³ Forty percent of the Indian population, or 400 million people, are in the labor force. More than 37 percent of the labor force, approximately 141 million people, work in the nonagricultural sectors. I calculated these figures based on the 1999–2000 NSS. For greater detail on the Indian labor force and the count of informal workers, see Appendix II.

⁴ I define “neoliberalism” as the set of policies designed to decrease government control regimes and facilitate investment and capital formation. Such policies include delicensing industries, de-reserving the public sector, easing competition controls, decreasing import tariffs, deregulating interest rates, easing the interstate movement of goods, opening capital markets, and pulling back on protective labor laws. In India, these policies (known as “liberalization reforms”) have been accompanied by privatization to decrease bureaucratic controls over industry. Although liberalization does not necessarily entail privatization, in India the two are often implemented together. Therefore, I use the terms “liberalization” and “privatization” interchangeably throughout this book.

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The reduced tariffs, trade restrictions, and industry license quotas resulting from this ideological shift have flooded some Indian homes with Korean cell phones, Italian furniture, and Chinese toys. English-speaking youth are finding jobs servicing the back-office functions of American and European companies, and Indian business owners are freer to expand their operations and initiate new investments without many of the earlier constraints of government control. At the same time, this ideological shift has enabled the Indian state to overtly absolve employers of responsibility toward labor, which has increased workers' insecurities and poverty levels. In 2005, the World Bank, an important influence on Indian government policies, noted that the ability to "hire and fire" workers is a major factor in increasing a country's attractiveness to domestic and foreign investors and that "countries with rigid labor laws [protecting workers] tended to have higher unemployment rates" (Andrews 2005).⁵

Labor activists in India routinely decry this ideological shift away from state regulation of capital as a direct assault on the socialist experiment and the labor-capital compromise of social democracies, both of which tried to establish a working class that is formally protected against employer exploitation. Indeed the popularity and relevance of left-wing ideologies and institutions have plummeted in recent years. As Debashish Roy, a union organizer and senior member of the Communist Party of India-Marxist (CPM), explained as he served me a cup of tea with no milk, "This is red tea. It's the tea of our Party. Whether you are a peasant or a senior government official, our Party members drink the same tea. But people don't want red tea anymore. They are looking for cappuccinos."⁶ Drawing from a familiar model of twentieth-century factory-based labor movements, Indian labor activists assume that unregulated workers are unable to organize because the structures of informal production prohibit organization. They, therefore, view the 1991 reforms that empowered footloose capital and overtly sanctioned informal work by cutting back on state labor regulations as a final nail in the labor movement's coffin. Throughout labor activists' discussions, informal workers appear just as Basama described herself – as commodified victims, shorn of agency.

Given this context, it is puzzling to see the recent evidence of informal workers' ability to organize and attain welfare benefits from the Indian

⁵ The two exceptions that the World Bank makes for government interference in labor policy are for child labor and gender discrimination.

⁶ Interview, November 18, 2003.

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state. In 1999, the government's National Sample Survey on Employment and Unemployment (NSS) counted informal workers for the first time. In 2002, one of the two goals of the *Report of the Second National Commission on Labour* was to create new legislation that would ensure a minimum level of protection to all workers, even those in the informal economy (NCL 2002). In December 2008, the Indian Parliament passed the Unorganized Sector Workers' Social Security Bill to provide informal workers with life, disability, health, and old age insurance. Although informal and formal labor organizations have strongly criticized the bill, it stands as a testament to the government's perceived need to provide for informal workers' welfare. The largest program under this bill, the *Rashtriya Swasthya Bima Yojana* or "National Health Insurance Program" (RSBY) began in April 2008 (Range 2008; Special Correspondent 2008). Under this program, informal workers receive a credit card, known as a "smart card," of US\$750 per family per year to cover medical expenses at participating hospitals.⁷ The program is overseen by the national Ministry of Labor, implemented by state-level Labor Departments and participating insurance companies, and funded by the state and informal workers. The national government pays 75 percent of the premium, the state governments pay 25 percent of the premium and all administrative costs, and informal workers pay \$0.75 per year as a registration or renewal fee. By December 4, 2008, nearly 950,000 cards had been issued in 46 districts, and by 2012, 60 million workers were expected to be covered.⁸ At the state and industry levels, we find a plethora of additional laws designed to provide protections for informal workers. If the Indian state is pulling back on labor protections and the Indian labor movement is feeling increasingly neutered, who pushed forth these policies? And how effective are they?

This book addresses these questions by examining informal workers' organizing strategies and their interactions with the state in India. An increasingly neoliberal state, a rapidly growing economy, increasing inequalities, and an expanding informal workforce are typical features of many developing countries and even some industrialized countries today. In India, however, these features exist against a backdrop of a long history of social movements and a vibrant (albeit imperfect) democracy. This history, coupled with the Indian state's increasing attention to

⁷ A family is defined as the head of the household, one spouse, and three dependents.

⁸ Progress Report from Directorate of Labor Welfare, Ministry of Labor, Government of India.

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informal workers, makes it an ideal location to study how the transformative forces of the contemporary era are being played out on the ground through informal workers' movements. Contrary to much of the labor and development literature, a portion of India's informal workers have been organizing since the 1980s.⁹ Therefore, we can examine how recent alterations in state attention to labor have affected these movements by comparing the period before and after 1991. To begin this study, I ask: What collective action strategies do informal workers use? From where do they draw their structural power? Do their strategies vary across industry or state?

Underlying these questions is a recognition of the complex, dynamic relations tying state politics and structures to the origins, expressions, and outcomes of social movements (Goldstone 2003; Piven and Cloward 1979; Tarrow 1988; Tilly 1984; Yashar 2005). After all, it is these relations that shape the material realities of workers. In recent years, scholars and labor activists have highlighted one slice of the relationship between states and workers' movements when they argue that states' attempts to create unfettered markets have undermined workers' movements by eclipsing labor regulations and expanding the informal labor force. What is left unanswered is how workers respond to state actions. Just as states affect workers' lives, workers redefine the meaning of the state through social movements that resist or reify alterations in government rules and structures of production. After enduring the shock of reduced government intervention and increased market flexibility, how have informal workers responded?

Students of politics will not be surprised to find that there are virtually no data available on this vulnerable population in general or on their politics in particular. Therefore, to examine informal workers' movements, I conducted two sets of in-depth interviews (for greater detail, see Appendix III). For the first set, I interviewed 200 government officials, employers, and labor leaders of formal and informal workers' organizations. The second set of interviews consists of 140 interviews with informal workers who are members of an informal workers' organization. Drawing from these interviews, I offer in Chapter 2 an empirical snapshot of how the world's most vulnerable workers have reacted both to the failure of earlier state policies to protect them and to contemporary development prescriptions that avoid protecting them.

⁹ See the later discussion for more detail on the scholarly literature that claims informal workers are unable to organize.

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Informal workers in India have launched an innovative labor movement that has nudged an increasingly neoliberal state to open potentially new paths to state-based welfare. In the process, they are *re-embedding* the workers who have long been left out of labor's attempts to fight market commodification. A key trait of a capitalist market economy is that it treats human labor as a commodity. If there is no demand for labor power, there is no return to the living bearer of labor power and, therefore, no claim on subsistence. For nearly a century, formal workers have organized as a class to hold capital responsible for this dilemma. Capital, however, has always found ways to absolve itself of this responsibility. In India, the state has begun to overtly aid capital in this endeavor. In this context, it is striking that informal workers in India are now finding alternative ways to decommodify labor through the state. Even more striking is how they are addressing the dilemma of their work by claiming their rights as citizens. Ignoring these efforts undermines our understanding of contemporary efforts for social justice and the dynamic nature of labor movements.

However, questions remain about the effectiveness of informal workers' alternative movements. The first part of this book indicates that informal workers' movement strategies are consistent across states and industries, but that their effectiveness varies by state. Therefore, in the second part of the book, I compare three Indian states operating under three different political party contexts and ask: Under what state conditions do informal workers' collective action strategies succeed or fail? Underlying this question is the long-held understanding that social movement structures have a limited capacity to determine movement success in the absence of a conducive political and economic framework. In other words, even for those operating outside state jurisdiction, state structures matter. In Chapters 3–5, I examine the varying patterns of political mediation that result from different regime characteristics in India to explain why in some cases informal workers' new strategies have led to state-supported benefits for workers, despite neoliberal policy prescriptions to reduce welfare spending, and why in other cases they have failed. These findings lend important insights into the limits and contradictions of informal workers' movements, the future role of left-wing parties, the potential role of competitive populism, and the impact of contemporary class politics on the welfare state.

This study begins with the premise that informal workers *can* organize. This premise turns deeply entrenched assumptions about informal workers' inability to organize on their head. So let us begin by engaging

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this difference and exploring exactly how to study the massive, diverse group of organized informal workers.

1.1 INFORMAL LABOR ORGANIZES IN UNIQUE CLASSES

Scholars from the left and right of the political spectrum have long argued that the structural conditions of informal employment preclude informal workers from organizing as a class. Informality disperses the site of production through home-based work, complicates employer–employee relationships through complex subcontracting arrangements, atomizes labor relationships by eliminating the daily shop-floor gathering of workers, and undermines workers’ bargaining power by denying them legally protected job security. Scholars of Latin American and African labor movements have shown how informal workers rely on local networks, rather than class-based organizations, to ensure their survival (Grasmuck and Espinal 2000; Gugler 1991; Macharia 1997). In India, the assumption that informal workers cannot organize is so entrenched that scholars and government officials use the terms “informal workers” and “unorganized workers” interchangeably.¹⁰ Only once informal workers join the formal economy, so the argument goes, will they become an integral part of the workforce; only then can they use the power of their class location to join the labor struggle (Bairoch 1973; Geertz 1963).

This view of informal workers has dominated the labor movement literature since the early 1900s, thereby limiting most studies of class movements to urban formal workers and, in some cases, rural peasants (Herring and Hart 1977). In recent years, scholars have highlighted governments in traditional welfare states (Castells 1997; Held et al. 1999; Tilly 1995) and in formerly socialist states (Lee 1999; Stark and Bruszt 1998) that are promoting the informal economy as an alternative safety net for workers who no longer receive benefits from a welfare state or formal employer. Underlying this scholarship is an assertion that such trends are undermining labor’s power, because informal workers are unable to make class-based demands. As Mihail Arandarenko (2001: 169) writes, “The informal economy is undoubtedly the most important buffer against class opposition in Serbia.”

¹⁰ As a result, scholars of India’s informal economy focus almost exclusively on its definition and measurement. See Joshi (2000), Kulshreshta and Singh (1999), Kundu and Sharma (2001), Mahadevia (1998), Oberai and Chadha (2001), Sundaram (2001), Unni (1999), and Unni and Rani (2000).

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Despite their continuing prevalence, these arguments about informal workers' inability to organize do not fit well with the empirical reality. According to the Indian government's own NSS, 8 percent of India's informal workers in the nonagricultural sectors *are unionized*.¹¹ In other words, more than 9 million informal workers participate in a union despite their informal working conditions. Although few scholars have examined these movements in depth, a handful of case studies in India indicate that informal workers' organizing activities are improving informal working conditions (Carr et al. 1996; Chowdhury 2003; Sanyal 1991; Sharma and Antony 2001). Recent scholarship on immigrant and service workers in the United States and South Korea and on street vendors in Mexico City indicates that Indian informal workers are not unique in their ability to organize as a class distinct from formal workers (Chun 2009; Cross 1998; Fine 2006; Gordon 2007; Milkman 2006).

Part of the discrepancy between scholarly claims about informal workers' inability to organize and the empirical reality of budding informal workers' organizations can be attributed to a problematic assumption ingrained in the labor and development literature – namely that informal workers are either an expression of a so-called reserve army of labor or a part of a precapitalist entity who perform odd jobs while waiting to be formally employed (for a more detailed discussion, see Agarwala 2009). In both cases, informal workers are viewed as invisible to the state and temporarily operating on the margins of the labor–capital relationship. To facilitate the transition to modernity, for example, development scholars in the 1950s and 1960s urged newly independent governments to accelerate migration, with the expectation that surplus informal, rural labor would move to cities in search of greater wealth, which in turn would spur economic growth in the formal economy and automatically eradicate the unprotected informal economy (Lewis 1954). Because informal workers (who remained vaguely defined as a remnant of a feudal, rural past) were not viewed as part of the modern proletariat, they were not counted in national labor force surveys, considered in state labor policies, or analyzed as a potential political class.

In reality, however, informal workers have long been and continue to be an integral part of capital–labor relations and a necessary subsidy

¹¹ I calculated these figures using the 1999–2000 NSS. They include only regular workers (in the case of formal workers) and regular and casual workers (in the case of informal workers). These figures change only marginally when self-employed own-account workers and employers are included (along with regular and casual workers).

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to the growth of modern, formal capitalist economies. As Vladimir Lenin (1939) and Rosa Luxemburg (1951) showed, class struggles that increased European wages in the early 1900s forced European capitalists and workers to rely on their colonies' cheap, flexible, informal workforce for raw materials and for low-end manufactured goods and services. Imperialist power structures ensured that informal workers absorbed the formal economy's costs of low-end production and labor reproduction by not receiving benefits or minimum wages and by working in their homes to eliminate the need for overhead. By providing a cheap, flexible alternative, informal labor helps capital and states constrain the expansion of the more costly, formally protected working class (Bromley and Gerry 1979; De Janvry and Garramon 1977; Moser 1978). Lisa Peattie (1987) has detailed how formally regulated firms in Colombia's shoe-making industries rely on unregulated, unprotected subcontractors in Bogota to increase firm profits. In India, formal economy accumulation in most manufacturing industries relies on social networks to supply cheap informal labor that absorbs the costs of production and labor reproduction, even at the expense of efficiency (Bremman 2003). Because market expansion in most developing countries still relies on external demand or a small, elite domestic consumer base, the mass labor force does not serve as the target consumer (Portes and Walton 1981). Wages can thus be pushed downward with little effect on consumption.

Recognizing informal workers' strategic role in the processes of accumulation helps explain the continued growth of the informal workforce even under modern capitalism. In addition, it helps us examine the diverse sources of bargaining power that informal workers can potentially tap. Informal workers hold unique and permanent positions in the class structure, and they therefore have unique interests and interactions with formal workers, capital, and the state. Whether or not they use their power in the class structure to organize, increase their visibility, and improve their well-being as a class is an empirical question. Evidence from India, South Korea, Mexico, and the United States suggests that some informal workers are organizing as a class (Carr et al. 1996; Chun 2009; Cross 1998; Fine 2006; Gordon 2007; Milkman 2006). In India, however, questions remain about the details of these efforts. Exactly how are these informal workers translating their position in the class structure into action?

To identify informal workers' unique interests and the sources of power they are using to organize, we must disaggregate the mass informal workforce by structure and type of work. The focus of my interviews reflects this disaggregation. First, I limited my interviews to poor women

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to expose the strategies that the most marginalized groups are using to express their political voices; women represent more than 90 percent of the lowest rung of contract workers in the two industries that I examine.¹² Second, I interviewed one class of informal workers – namely, contract workers. Third, I interviewed informal workers across two industries: tobacco and construction. Let us now examine these subdivisions in more detail.

Distinguishing Classes of Informal Workers

Informal workers can be disaggregated into two sub-classes – self-employed workers (such as street vendors, domestic servants, or owners of small, unregistered retail shops or restaurants) and contract workers who work through subcontractors for informal or formal enterprises (such as branded clothing, car, and shoe factories). Although both groups are unregulated and unprotected under state labor laws, they occupy distinct spaces in the class structure and are therefore likely to give rise to distinct political organizations. Before turning to the central focus of this book – contract workers – let me briefly discuss self-employed informal workers.

In recent years, self-employed workers (also called “petty bourgeoisie” or “micro-entrepreneurs”) have received substantial attention from development scholars. In India, they comprise 45 percent of the nonagricultural labor force and 54 percent of the nonagricultural informal labor force (see Table 1). Keith Hart is often credited for first highlighting this subset of informal workers. Using data from Accra, Hart (1973) argued that urban migrants who could not attain jobs in the formal economy were not starving in unemployment lines; rather, they were creating new opportunities to generate income through self-employment. Following Hart, the International Labor Organization (ILO) incorporated urban self-employed workers into its poverty-alleviation programs in the 1970s (Mazumdar 1976; Sethuraman 1976; Weeks 1975). In the late 1980s, self-employed workers reemerged in the development literature as a beacon of hope for modern, unfettered markets. Using data on Lima’s housing, transport, and petty trade sectors, Hernando De Soto (1989) argued that self-employment is a creative way for the majority of workers to use their entrepreneurial skills by acting outside the government’s mercantilist

¹² Although I included some male informal workers, they were not randomly selected and served as a rough comparison to my 140 interviews with women workers.