WORKSHOP

Growth and Inclusion: Theoretical and Applied Perspectives

Session III Part 1

Growth from the Bottom Up

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ECONOMIC ROLE OF THE INFORMAL SECTOR WORKERS

The largest, but the poorest, socio economic group is currently often referred to as the ‘base of the pyramid’ (BoP). Under this definition, the poorest members of society are seen as the base of the economy’s production pyramid.

The phenomenon of globalization has led to a spurt in opportunities in businesses all over the world. With opening up of economies and systematic lowering of trade barriers, competition has increased; threatening the existence of millions of small micro enterprises that were earlier protected by the governments.

A majority of these businesses employ poor who belong to the informal sector. The unorganized and asset less status of these informal sector workers lowers their bargaining power and leaves them open to exploitative tactics of employers, traders, moneylenders alike.

These informal sector workers get low wages, no regular work and delayed payment. They also lack access to market information and infrastructure, and are haunted by the non-availability of raw material. These factors hinder their ability to produce and sell their products.

From SEWA’s experience, the reality of the informal sector workers is, that they are poor. Amongst the poor, the poorest of poor are the women. They are not recognized as workers. Therefore even though they put in long hours of work, the returns are very low. The access to tools and equipments is limited. They do not have any access to design or product development inputs Therefore, the productivity is low and the product is often of poor quality. Their access to markets is limited, use of social protection is restricted, and inclusion in policy dialogue—labour or economic—is very low. They have limited voice in worker’s forum and women have even more limited voice.

SEWA’S VIEWS

If we want to address the issue of poverty, the active role of women in the economy needs serious consideration. Women disproportionately face the burden of poverty despite their significant contribution to the national income. Also when we look at the employment sector, the vast majority of the country’s working population is engaged in the informal sector with predominance of women home
based workers. The informal sector workers are often invisible workforce that is largely unrecognised in labour statistics and unprotected by legislation. Majority of these informal sector workers are women. For women, it is the major source of livelihoods. Therefore, women’s economic role is a decisive link between growth and poverty.

**A total of 1.3 million SEWA Members are poor, self-employed women workers from the informal sector of the economy in India. SEWA experience shows that these informal economy workers are highly productive, economically active and enterprising even when very poor. The contribution of the informal sector in India, which constitutes a large part of the base of the pyramid, is significant. Therefore this informal sector can be considered as the economic motor, with wheels within the pyramid, running a significant part of the Indian economy.**

SEWA believes in the primacy of local ownership and knowledge. Capacities of the members are built in order to make them owners and managers of their own trade. We therefore work on building members own economic organisations. Over 35 years of its existences, SEWA has grown into a family of economic organisation.

SEWA is neither pro globalisation nor against it, we are pro poor. We are for increasing the economic opportunities for the poor women workers and making the process of globalisation beneficial to the informal sector workers and more inclusive of their participation. SEWA’s approach to globalisation is to equip the poor to fight against poverty.

Responding to the challenge of globalization and changing expectations of traditional, external resources; SEWA members are increasingly putting emphasis on business-oriented approach. In the emerging global business environment of open markets and increased competition; poor producers, service providers and their organizations needs to be in the mainstream of the global business, which would lead create sustainable business and livelihoods. SEWA entered / facilitated various partnerships between private sector organizations and economic enterprises owned and managed by poor producers and service providers. These partnerships aimed at increasing the effectiveness of poverty reduction programs and livelihood initiatives in SEWA.

**SEWA’S APPROACH TO LIFT THE INFORMAL SECTOR WORKERS OUT OF POVERTY**

SEWA’s objective is that its members – who are active workers or producers also become the owners and managers of their trades and economic organisations. In order to achieve this, the informal sector workers need access to current market information, access to global markets, tools and equipments, research and development and access to finance.

SEWA tries to meet the market by providing access to financial services and marketing services to the members and their own economic organisations. We call it as capitalisation at the grassroots which is credit plus or livelihood finance – investing in building organization of poor, for the poor that ensures livelihood security.
We are for increasing the economic opportunities for the poor women workers which also helps in making the process of globalisation beneficial to the informal sector workers and more inclusive of their participation. This helps in equipping the informal sector workers to fight against poverty. The two major approaches adopted by SEWA include Livelihood Finance and Partnerships.

❖ LIVELIHOOD FINANCE

We at SEWA strongly believe that microcredit as a one-point intervention, in most of the situations, is not enough to pull a poor household out of poverty.

The complete livelihood finance package is hence defined to be made up of the following constituents

- Organizing and institution building – to build collective strength and bargaining power
- Credit and other financial services (like insurance, pension) – that lead to asset building
- Productivity improvement services – capacity building
- Market linkages, Marketing services
- Human development services - health, nutrition, education

SEWA’s philosophy, which is very demand-driven in its approach, could be elaborated as

- Organize women and through the strength of numbers instill in them the belief that they have a say in improving their lives.
- Empower them to speak up about the issues afflicting them.
- Enlighten them with the relevant knowledge and encourage them to debate solutions for the issues they face.
- Take up the specific demands made by the members and facilitate their efforts towards meeting them.

❖ PARTNERSHIPS

Having reached a membership of more than 1.3 million women workers in the almost 4 decades, SEWA now focuses on economic self reliance of its members economic organisations. The approach is multipronged. SEWA—the poor women workers organisation alone cannot achieve this. Hence there is a need to build partnerships—internal and external. The economic organisations also have to compete in the market—therefore they need to learn to be professional.

The integrated approach of SEWA fosters internal partnerships. SEWA has been working on building partnerships with the private sector for more than 7 years. The main objective of these partnerships is to develop joint business opportunities—that brings value and advantage to both partners. For SEWA
and its economic organisations in terms of newer employment, or increased incomes of better processes and systems, or technology or tools and equipments or new markets.

This means it is also an investment both for SEWA and the partnering organisation in building appropriate business model and business organisations of the poor. Such partnerships have to be both process oriented and result oriented—which brings learnings for both the partners. Some of the initiatives that SEWA has done by forging partnerships in different areas for the informal sector workers are described below.

- **Ensuring Food Security for the Poor through RUDI**

  The informal sector workers who are unskilled, need to be provided with some skills in order to help them earn a sustainable livelihood. With a view to provide them with skills and make them semi skilled or skilled, SEWA entered into a partnership with Hindustan Unilever limited to set-up a rural distribution network. A pilot was initiated in 1 district and based on the lessons learnt the same was then up scaled all over Gujarat and in parts of Rajasthan. This partnership has been very successful in providing self employment and skills to the rural women.

  SEWA members have set-up their own agri business company RUDI which has set-up its own Rural Distribution Network. Through this network the agri business company directly procures from about 125000 small and marginal farmers and sells the produce locally through a cadre of barefoot saleswomen called RUDI bens. The company has launched its own brand RUDI, the rural small and marginal farmers themselves are the shareholders of the company and thus the owners as well.

  **Experience**

  RUDI emerges as a alternative model of ensuring work and food security to the rural poor members. RUDI helps in eliminating the middlemen so that the farmers get better returns, consumers get good quality products at affordable rates and RUDI sale women and the team working at the processing centre gets employment.

  It has helped in increasing employment opportunities, livelihood, and market to the poor women members of SEWA. This is done in the following ways - it procures agri commodities from the rural producers providing them direct and assured market for their products, provides employment to the women in processing activities at the processing centers and as RUDI sales women.

  **Outcome**

  The poor informal sector workers who did not have any skills and therefore no regular employment now have the skills in processing and/or marketing of the products. This has resulted in both wealth generation and wealth distribution at the grass root level. The increase in income of the
communities ensures nutrition security, child care, health care, savings, education for the children and social security.

So far 36,758 small and marginal farmers have been organized into farmers collectives under RUDI and 1500 women work as rural procurement and sales managers called RUDIbens for the Rural Distribution Network generating an income of Rs. 3500 – 4000 p.m. and total a turnover of Rs. 7,62,40,305

Vasantiben Jagdishbhai Vankar, a consumer smiles happily as her family tucks into their meal. “I bought the grains from the RUDI ben who delivers it at my door step. Also these grains are of good quality and quantity and are all hygienically packed. The RUDI ben sells various items like salt, chilies, pulses and even note books for her children. As a result of this we get better value for our money because of assured quantity of packed items.

Nabuben Butabhai Koli from Ajitgadh village in Surendranagar district is a farmer by occupation. She produces about 80 Kg cumin every season. She say, “Now I find no need to go to the market yards to sell my products. Also I am not worried about price fluctuations. Through RUDI I can sell my produce at my door step. The price that I receive is an average of the market price over the last three days. I get spot payment rather than having to wait weeks or months before the proceeds actually start flowing in. Also, with the RUDI procurement team using an electronic weighing scale, I am assured of proper weight of my produce. Now, the small quantity that I produce is not a hindrance for sale or receiving a fair price.

• Gitanjali Cooperative of the Waste Paper Picker Members of SEWA

Waste picking is considered to be one of the lowest trades in the informal sector and is taken up by workers who do not have any skills or other means of livelihood. It is pre dominated by women belonging to the lower strata of the society. The life of the waste picker is full of hardships. They work on collecting waste from 4.00 a.m. to 9.00 a.m., go home and perform their daily chores and then sort the waste which take about 2 to 4 hours. They follow the same routine in the evening and their work continues past mid night.

Inspite of putting in so much hardwork, these waste paper pickers earn an amount of Rs. 30-50 which makes it difficult to make two end meet. Added to this are the occupational hazards due to carrying load of waste on their backs and having to bend to collect the waste. Other hazards include septic, dog bites, cuts, and electric shock. Sexual harassment and exploitation by the scrap shop owners is also a part of their life. Having borrowed loans from the scrap shop owners, they are always under pressure and exploited. All this pushes them in the vicious circle of poverty. Also the girl child helps her mother in waste picking and hence doesnot get proper vocational skills or education and become a waste picker making this cycle go on.
Experience

The recent financial crises has added to the woes of these waste paper pickers as the prices of the recycled waste have gone down by half. This has adversely affected the nutritious diet and education of the children also in many cases the women workers are forced to give their bodies for clinical research for survival. These poor workers contribute positively to the economy and the environment. SEWA has initiated a cooperative of these waste pickers called the Gitanjali Cooperative. The members of this cooperative are engaged in collecting waste from the houses. This cooperative got the work of door to door waste collection and segregation. This resulted in sustainable income for 400 women from Rs.3000/- to Rs. 3500/- per month for 5 hours of work. However, due to privatization and mechanization these workers are again displaced. The contracts for waste collection are given to private companies who use trucks and tractors. This has displaced these waste paper collectors who use hand cart for collecting waste and also segregate the waste at source. The work done by them contributed positively towards protecting the environment.

The immediate requirement for these waste paper collectors was livelihood. The Gitanjali Cooperative, turned towards stationary making with support from SEWA. This not only provided the women with income and livelihood but also gave them skills, self respect and status in the society.

Outcome

These women learned the work of making stationery from the paper which also has a good market. The work of these women and their contribution to the environment is recognized. These women started making pens, note books and files and entered into the main stream markets. Their identity as a worker was established, they developed confidence and their contribution to the economy was recognized. These women started making products according to the market demand. This improved their standard of living and they send their children to school.

Parvatiben Poonambhai Solanki says, “For more than 15 years, I could not afford to have a door in my hut. But, when I started working with the Gitanjali Cooperative making stationery, I have regular income now which enabled me to take a loan and have a door in my home. That was the first night I could sleep. I felt so happy.”

SEWA has organized 31505 women workers who are waste paper pickers. Groups of these women are working on production of paper stationery

CONCLUSION

It is well accepted that micro finance alone cannot generate sustained employment nor reduce poverty. The women producers need an uninterrupted access to trade in larger markets to raise their income. In order to make the process of globalization pro poor, the government and the private sector have a major role to play especially build partnerships with the membership based organizations of the poor
for transfer of systems and processes, to build a robust supply chain which will help generate livelihoods as well as business opportunities for the private sector. This also enables the organizations to go to scale whereas the business houses can source directly from the producers.

The private sector has a major role to play in the area of skill development which then leads to market led skill building. Grass root level workers and producers get opportunities for upgrading their skills and the industry can get skilled manpower. To do this there is a need to set-up schools for skill building jointly with community organizations and private sector and they can jointly design approach, training modules and certification processes.

The trade is globalised. To access national and international markets, women producers’ organisations if provided with adequate resources and trade-links, they can make a dent into the global markets.

- They need investments in different sectors of market infrastructure.
- They need promotion in terms of raising productivity, particularly in setting up multi-skill development schools.
- The women producers organisations need access to adequate capital, suitable market links and better terms of trade.
- They need institutional facility that develops research and development of their products for improvement and diversification.
- They want to use Information Technology to keep pace with the fast moving global trade.
- They need to build up more organisational and managerial capacities to run their businesses profitably and trade firmly.
- These entrepreneurial producers organisations also need active supporters in the Governments for creating more enabling policies.
- There is a need to set-up management schools where the poor women can get the necessary managerial skills to run and manage their own enterprises.
- The private sector should invest in building business organization of the poor.
- Institutions such as World Bank should invest in livelihood fund and also encourage women in trade.