Chapter One

INTRODUCTION

Though the post independence strategies for economic development in India have succeeded in raising the growth rates of GNP and other aggregate measures of the economy, the structure or distributional aspects of this growth have been rather unimpressive. In the urban areas, which have contributed significantly to this growth, the disparities are rather wide. Even to a casual observer of the Indian cities, the extremes of living conditions are clearly apparent. It is obvious that a large share of the benefits of economic growth have accrued to a rather small and exclusive group of people. The different socio-economic groups within an urban area have generally shared in this growth in highly unequal proportions.

Various researchers have conceptualized these distinct socio-economic groups within a city, sharing its growth in unequal proportions. The top rung manned by a small elite class of senior government officials, business leaders, corporate managers, politicians and professionals form an extremely powerful minority, who enjoy all the fruits of growth and much more. The smaller owner entrepreneurs, middle level officials, secure trade and service workers and especially the permanent factory workers form the large middle rung, often constituting almost 50 to 60% of the work force. They also share in the growth but to a considerably lower extent. Their ranks are, however, protected, and institutional measures help to protect their wages and salaries above a minimum level. (Friedman and Sullivan, 1973).

At the bottom of the ladder falls that part of the work force, constituting another 40 to 50% of the total, which has to a large extent been by-passed by the economic growth
and development. With limited opportunities, facing extreme entry barriers to higher opportunities and low returns for their labour, they barely manage to survive in their urban reality. Thus, this lowest rung of workers, along with some at the lowest levels in the middle rung, constitute the vulnerable sections of urban workers. To add to their plight, they are most often also denied any effective access to basic amenities and services.

The position of these groups over the years may be gauged only through data on changes in levels and distribution of urban income. However, very few studies have probed into these aspects. The few available studies show in general a worsening of the condition of the urban poor. In their pathbreaking effort, Dandekar and Rath (1971) estimated that, "the condition of the bottom 20 percent of the urban poor has definitely deteriorated and for another 20 percent of the urban population it has remained more or less stagnant". The only resurveys of urban areas, namely those for Poona and Sholapur, though a little dated today, also revealed the deepening nature of the urban poverty. (Gadgil, 1952, 1965; Sovani, 1956). The other available data also point to the swelling proportions of urban population below the poverty line. (Bardhan, 1974; Radhakrishna and Sarma, 1975). The growth of urban areas has become synonymous with the rise in urban poverty which is most visually expressed in the growing numbers of hutments and the growing multitude of workers found in the undervalued and lowly paid urban activities ranging from shoeshine boys to cycle repair shops and hawkers and vendors selling a variety of fares.

Any attempt to identify relevant anti-poverty policies will have to be based upon an understanding of the nature
of existing economic opportunities and the associated labour market processes. In the past, urban growth in India has largely been due to migration from rural areas. It has also been agreed upon by most researchers that the major motivation behind such migration has been economic in nature. The initial spurt to migration may have come from the 'modern' sector in manufacturing, administrative and commercial establishments. However, the output growth of this sector especially in manufacturing, due to its capital intensive nature has failed to promote a proportionate growth in labour demand. Initial models based on competitive markets and distinguishing two sectors have failed to explain these developments. (Lewis, 1954, Fei and Ranis, 1964). The 'push' factors operating in the rural areas were strong enough to send large supplies of labour to urban areas. This has been attempted to be explained by life-time earnings and 'expected income' of the potential migrants. (Todaro, 1969, Harriss and Todaro, 1970). However, despite the failure of the 'modern' sector to absorb these labour supplies, large scale unemployment has not been rampant in the metropolitan centres as would be predicted by competitive models. At the same time, the differentials in labour earnings in the two sectors have generally been observed to persist and even increase over time. Similarly, it is not very clear as to whether the expected labour transfers between the sectors are actually taking place.

Even at the national level, the estimates in the Draft Five Year Plan, 1978-83, on the basis of data for 1967-74, showed that "the annual growth in recorded employment absorbed just about 11% of the current annual increase in the labour force." At the same time, the rate of absorption in the whole organized sector is extremely small. Thus,
"even if this absorption is doubled, it will still not employ more than 20% of the growth in labour force". The policy implications of these trends are then quite apparent. The plan points out that "the only hope of absorbing most of the annual increase in our labour force lies in making employment in small units fuller and more productive and in choosing a product-mix and technology-mix, even in the organized sector, which absorbs substantially more labour per unit of input and investment." (Govt. of India, 1976).

These policy measures, however, implicitly assume the possibilities of smooth labour transfers between the sectors. However, the extent and nature of labour absorption in different sectors and the process of labour transfer and mobility may be affected by strong social and institutional forces besides the economic motivations. Similarly, the attempt to make "employment in small units fuller and more productive," assumes that the lower earnings in this sector are related mainly to lower productivity. The source of such productivity differentials, if any, and the importance of other institutional factors affecting the earnings in different sectors remain important areas of concern. The more relevant policy implications may be based on an examination of the determinants of earnings. The development of different sectors is also dependent on their rates of growth over time. It is necessary to examine the temporal development of various sectors and the structure of these sectoral growth patterns.

The present study attempts to gain an insight into these lines of inquiry, specifically with reference to the lower strata of urban workers. The heterogeneity of workers and the nature of employment are explicitly introduced into
the study to explain the behaviour patterns of absorption, mobility and labour earnings. The study is basically exploratory in nature. The analysis of temporal patterns of sectoral development in Ahmedabad are supported by results of the primary survey which attempt to look into absorption and mobility processes and the determinants of earnings. Broadly speaking the study attempts to gain insights into the internal structure and dynamics of the urban labour market at the lower levels and their effects on the vulnerable sections of the workers.

PLAN OF THE REPORT

After the general introduction in this chapter, the conceptual developments in the dynamics of urban labour market with specific reference to developing countries are reviewed in the next chapter. The third chapter then reviews the available literature on informal sector, analysis of earnings and mobility, to identify the major areas of inquiry.

The study framework with objectives and scope of the study and the research design are presented in Chapter four. In line with the objectives, Chapter Five traces the development in population, labour force and the economic structure of Ahmedabad city. Chapter Six presents a profile of the sampled workforce. The emphasis is on tracing the sectoral heterogeneity in worker characteristics with respect to the human capital variables, personal attributes, background characteristics and migration related aspects.

The analysis of absorption and mobility patterns is given in Chapter Seven. The focus is on both identifying
the extent and nature of mobility and their socio-economic correlates. An attempt is also made to trace the career routes of workers and their potential mobility. The next chapter first traces the structure of sectoral earnings. It then seeks to identify the determinants of labour earnings. Specifically, the attempt is to examine "the patterns of behaviour implicit in the variation of earnings" (Mohan, 1981). The conventional earnings function is adapted to trace the effect of worker characteristics and sectoral location of workers. The last chapter summarizes the major findings of the study and draws inferences from these. It ends with some tentative policy implications on the basis of the study findings and inferences.