

## **Dynamics of Market: A Case Study of Putting Out System in Urban Informal Manufacturing Sector of Baroda City**

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**ABSTRACT:** *In the recent years, the concept of informal sector has gained considerable currency in the context of development policy in general and employment policy in particular. In India, the process of casualisation and absorption of labour in informal sector is on rise. Informal sector has found a greater scope in view of the prevalent peculiar socio-economic conditions. During the past few years the informal sector enterprises have witnessed a significant growth and dynamism and such institutions have started catering to all productive activities. The informal sector embraces a widely dispersed multitude of operating units with high rates of birth and death and considerable mobility. The existence of informal sector in India and other developing countries has been traditionally structured around generating self-employment. A large mass of women work in the informal sector of the economy. In this sector various forms of linkages and occupational mobility of workers have fostered entrepreneurship for women also. Thus in this sense, the informal sector does not only support women workers but also fosters entrepreneurship. The putting-out, or domestic system of manufacturing, symbolizes the evolution from conventional technique of production to contemporary manufacturing. The present study is an attempt to understand the dynamics of the informal sector market with a focus on putting out system in the informal manufacturing sector in Baroda city based on an empirical survey. The paper is divided into three sections. Section I discusses the theoretical issues relating to the informal sector and the dynamics of the market and the putting out system. Sections II deals with the empirical findings of the study and section three with conclusions.*

**KEYWORDS:** *putting out system, informal sector, labour,*

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### **I. INTRODUCTION**

In the recent years, the concept of informal sector has gained considerable currency in the context of development policy in general and employment policy in particular (Kulshreshtha and Singh, 2001). In India, the process of casualisation and absorption of labour in informal sector is on rise. “Informal sector has found a greater scope in India in view of the prevalent peculiar socio-economic conditions” (Agrawal and Patel, 2000). Under informal sector, the productive institutional units that are characterized by low level of organisation, little or no division between labour and capital and informal employment contracts contribute considerably to the economic upliftment of those who otherwise would not find a chance to work.

During the past few years the informal sector enterprises have witnessed a significant growth and dynamism and such institutions have started catering to all productive activities”. (Agrawal and Patel, 2000) “The informal sector embraces a widely dispersed multitude of operating units with high rates of birth and death and considerable mobility’ essentially differing from the formal sector in technology, economies of scale, use of labour intensive processes for producing goods and services, a virtual absence of well maintained accounts and dependence on government subsidy. It is informal in the sense that it is not regulated by Government under any statute”. (Kulshreshtha and Singh, 2001).

The main cause of the growth of informal sector in developing country like India may be the abundant labour that otherwise is unable to find suitable employment in the organised sector. “During the 1980s, the informal economy continued to expand, particularly in countries undergoing economic transition - so much so that it has come to be recognized as a feature of economic transition. This is because retrenched workers often move into the informal economy when public enterprises are closed or downsized. This is also because households often need to supplement incomes earned in formal employment with informally earned income in response to inflation or cutbacks in public services” (Jhabvala et.al., 2001).

The informal sector phenomenon is widespread worldwide; it has become very considerable in the Third World countries where, in some cases, it is now the main source of employment. Yet, the phenomenon is not a specific characteristic of these countries as it also exists in the industrial countries where, indeed, like in all

poor countries, recession and the application of structural adjustment policies since the 1980s have resulted in rise in unemployment. This rise has forced the workers and women workers to seek independent or clandestine jobs ensuring a subsistence income

The existence of informal sector in India and other developing countries has been traditionally structured around generating self-employment for the majority of the population. The structural adjustment programmes and the introduction of new technologies have reduced employment in the organised sector, contributing to an accelerated rise in poverty. This state of affairs has driven people to undertake alternative income-generating activities enabling them to survive. This informal sector therefore serves to absorb the shocks of the economic crisis and has become a sort of refuge for the "excluded". This increasing development of activities in the informal economy is one of the faces the globalised economy has adopted, entailing all its consequences on the living and working conditions of men and women.

### **Women and informal sector activities**

A large mass of women work in the informal sector of the economy. They undertake income-generating activities for increasing the family income, in some cases even to the point that they are the only source of family income. The underlying reason is that these activities are in many cases the only option enabling women to earn an income while assuming the tasks inherent in their reproductive function.

Women enter the informal sector generally for three reasons: Firstly, it is more difficult for women to have access to "formal sector" employment because it is assumed that women carry out inferior work; they would lack the training required for the entry in the formal sector. Their work would also be "costly" because the employer has to provide maternity benefits or other benefits. In some cases they are simply unable to gain access to the means of production. Hence, the informal sector works a parking lot for those women who are otherwise unable to find a gainful employment in the informal sector. In this sector various forms of linkages and occupational mobility of workers has fostered entrepreneurship for women also. Thus in this sense, the informal sector does not only support women workers but also fosters entrepreneurship. Various studies have shown that, over a period of time more and more women are joining this sector with the purpose of starting self-employment avenues rather than working as a worker at low wage level<sup>2</sup>. Many economists are of the opinion that it would be useful to consider informal sector as "self-employment sector". The reason, this sector requires less skill, less capital and is labour intensive. Low level of education may be another reason for concentration of women for employment and self-employment in informal sector.

### **Informal sector activities and putting out system: A gateway to entrepreneurship**

The putting-out, or domestic system of manufacturing, symbolizes the evolution from conventional technique of production to contemporary manufacturing. Before factories were centrally established, merchants were practicing to put out raw materials previously to independent craftsmen and also to subsistence farmers and their families, who then transformed them into goods either at home or in nearby sheds. Once all the tasks were separately completed, these merchants or their agents collected the manufactured goods and sold them. In most of the cases, putting-out workers owned their own tools, determined the length and intensity of their workday according to their need and conveniences of time, and had few or no employees working under them. This system of putting-out, which assigned fragmented tasks to workers of diverse skills were paid at differential rates, presaged the contemporary division of labour and the factory. As a predecessor to the industrial revolution, putting-out was expected to disappear once the factories were established centrally. Marx foresaw that putting-out would become "an external department of the factory," yet he erred in assuming that increased technological development and state-imposed limits on the length of the workday eventually would make it "go to the wall"(Lazerson, 1995). According to economic liberals, putting-out suffered from endemic poor workmanship, pervasive theft, and spasmodic coordination; its demise was assured by the supposed superior technology and organization of the modern factory (Landes, 1969: 118; Bythell, 1978)<sup>1</sup>. Even today, institutional economists persist in labelling decentralized manufacturing as organizationally inefficient, a system that both encourages unmonitored workers to shirk and impose unnecessary expenses or so-called transaction costs, incurred through the movement of goods and services across many firm boundaries (Alchian and Demsetz, 1971; Williamson, 1980)<sup>1</sup>. It also undermines quality control (North, 1981: 168-169)<sup>1</sup>. Neo-Marxists, audaciously agree with many of these judgments. Capitalists, they say, abandoned putting-out because it failed to extract sufficient surplus from their workers (Marglin, 1976)<sup>1</sup>. Despite this, modern putting-out has re-emerged in some societies as a new phoenix of late capitalism.

The present study is an attempt to understand the dynamics of the informal sector market with a focus on putting out system in the informal manufacturing sector in Baroda city based on an empirical survey. The paper is divided into three sections. Section I discusses the theoretical issues relating to the informal sector and

the dynamics of the market and the putting out system. Sections II deals with the empirical findings of the study and section three with conclusions.

## **II. VADODARA: A PROFILE<sup>2</sup>**

Situated in the central-eastern mainland region of Gujarat, the district accounts for 3.79 percent of the total geographical area of the state. The city of Baroda has both grown in size and population over the years. The population of the city was 2.11 lakhs during 1961 which grew to 7.34 lakhs in 1981, to 10.31 lakhs in 1991 and further to 13.05 lakhs in 2001.

Vadodara saw tremendous progress in all fields during the reign of Maharaja Sayajirao III who initiated a series of socio-economic reforms in the state. He attached great importance to economic development and started a number of model industries to encourage initiative, and then handed back the working industries to private enterprise. It is as a result of his policy of industrial development that Vadodara is today one of the most important centers for chemical and petroleum industries and enjoys a special place in the state. The first modern factory (Alembic Pharmaceuticals) was established in the city during the early 20<sup>th</sup> century and subsequently companies such as Sarabhai Chemicals, Jyoti Ltd., etc., came up in the 1940s. By 1962, there were 288 factories employing 27510 workers. At that time, the dominant industrial groups were chemicals and pharmaceuticals, cotton textiles and machine tools. In 1962, Vadodara witnessed a sudden spurt in industrial activity with the establishment of Gujarat Refinery. Several factors like raw material availability, product demand, and skilful mobilisation of human, financial and material resources by the government and private entrepreneurs have contributed to Vadodara becoming one of India's foremost industrial centres.

Vadodara is the largest beneficiary in the process of this industrialisation. Various large-scale industries such as Gujarat State Fertilisers and Chemicals (GSFC), Indian Petrochemicals Corporation Limited (IPCL) and Gujarat Alkalies and Chemicals Limited (GACL) have come up in the vicinity of Gujarat Refinery in Vadodara. Other large-scale public sector units are the Heavy Water Project and Gujarat Industries Power Company Limited. In addition to these enterprises, a number of other large-scale enterprises have come up in the private sector. The establishment of large industrial units in a region automatically brings into existence a number of smaller enterprises. Vadodara is no exception and the city and the surrounding areas normally hum with industrial activity.

Industrial growth in and around Vadodara has stagnated over the last decade. The proportion of industrial workers in the total workforce has declined from 34% to 30.77 % between 1971-1991. As of 2001, the proportion of main workers in Baroda is 33%. In Case of women, the proportion of main workers is only 12.74%. However, the proportion of marginal workers among women is high being 13.43%. Employment opportunities have decreased in the organized sector and more and more people are turning to the informal sector for their livelihood or remain unemployed (GOG, 2003). The industrial development in Baroda has been very lop-sided. This has led paradoxically to increase in unemployment. The city continues to attract a large number of unskilled job seekers and daily-wagers besides skilled and educated workforce. The former has led to the growth of slums where poor working class people live. At present there are more than 336 slum pockets housing more than 50,500 families and making up nearly 2,27,000 (20%) of the total population of the city. The information about the informal sector workers is not available for the city. However, it is believed that a large number of women work in the urban informal sector.

## **III. RESEARCH METHODOLOGY**

Initially this study was carried out for women entrepreneurs in urban informal sector of Baroda city in all manufacturing activities. A detailed list of women entrepreneurs was obtained from various sources like District Industrial Centre (DIC) and shops and establishment office. 20 percent of the respondents were selected on the basis of stratified sampling technique with a view to include women entrepreneurs in various fields. Accordingly 300 women were selected for the study. However, virtually all the women entrepreneurs included in the sample were proxy entrepreneurs. As more and more cases of proxy entrepreneurs were found almost all women entrepreneurs in the lists collected from the above mentioned sources were contacted. It was found that only men were managing the units that were registered and they did not even allow the women entrepreneurs, in whose name the unit was registered (mostly the wife) to talk. All efforts turned futile. Later, the NGOs working for economic upliftment of women who also provided training to the women for undertaking self-employment were contacted. However, very few of these women trained by these NGOs had really taken up self-employment. In view of these constraints in data collection, the sampling method had to be changed later and a sample of 200 women was selected at random. Though, formal discussions were held with only these women, but informal discussions were held on a larger scale. During the survey it was found that many women were "putting out" their labour in the name of entrepreneurship.

But these women wanted themselves to be identified as entrepreneurs for the reason that these women were not formally employed and their earnings varied according to the work performed by them and also for certain historical reasons discussed in the later part of the paper.

#### **IV. FINDINGS OF THE STUDY**

Socio economic genesis of women entrepreneurs are considered essential to draw significant conclusions on women operated units and entrepreneurial activities carried out by them. This socio-economic condition of women entrepreneur and her family further provides a stage to analyse their taking up entrepreneurship. At times women face opposition and social constraints and need to overcome such constraints and establish herself as entrepreneur. It is therefore pertinent to understand and realize the background of women entrepreneurs. In India social conditions play a crucial role in entrepreneurship. It is obvious that the change of women from conventional role of homemaker to contemporary role of an entrepreneur is bound to have lot of ramification.

“Religion shapes domestic, economic and political institutions. The performances of individual entrepreneurs are directly and indirectly inspired by religious ideals. It also plays a vital role in entrepreneurial development” (Debnath, 2001). The distribution of respondents by various religious groups in the present study shows that all the women in kite manufacturing were Muslim. While women in other occupations were mainly Hindus. Though it is believed that religion may not have any bearing on the entrepreneurial abilities, however, it is possible that the religious custom might deter women’s growth in entrepreneurial activities.

Majority of women (more than 90%) had schooling up to tenth standard or lower. “The low level of education seriously delimits their employment options in the modern sector of the economy. The denial of educated propels young girls into quagmire of early marriage, child bearing with increasing prospects of having a large family and thus restricting her participation in other walks of life” (Mathur, 2001). This results into low levels of skill among them thereby restricting them to low reward economic activities.

These women belonged to all age groups from 18-50 years. They were helped by young children during their free time and also by the older members of the family. Majority of the women who undertook kite making were married. These women have economic pressures to take up an economic activity. The average monthly family income of all these women was in the range of Rs.1200-5000 per month and the average family size was 4 members giving an average monthly per capita income of Rs. 250-1200. “Women’s work is often dismissed as secondary despite their substantial contribution to the family income and their income used for meeting the family’s expenses” (Agrawal, 1992). This is evidenced by the fact that all the women used their entire income for meeting the household expenses. In many families the survival of the family was not possible without the economic contribution of these women.

The houses of these women reflected the pathetic condition in which they lived. An ancestral house would be shared by the members of the family divided into nuclear families and on an average a 100 square feet house accommodating 4-5 persons and kite making would be carried out in the same area.

These women were performing labour intensive work. Almost all of them had no employees working under them. For most of these women her family members especially children and old family members worked for her. Hence, children and old family members are an important source of unpaid household labour for women entrepreneurs. Those who hired labour faced problem in regard to irregularity and non-punctuality. Many women entrepreneurs faced problems relating to marketing. Inadequate and untimely irregular orders were some of the other problems for some women. Those who worked on sub-contracting basis for other agents or dealers faced problem related to payments for their work and rates. It was found that in such cases majority of them were receiving payment once a year. In between if they asked for their payments their orders were cancelled. So they were forced to work at low rates with irregular payments.

These women were receiving payment once a year. Because the agents and the kite makers are all Muslims they are paid their dues during the time of *idd* festival only. If at all these women asked for payment in the middle of the year, their orders were cancelled. The rate of work was very low. Different rates for the different sizes of the kites ranging between Rs.25 per thousand to Rs.50 per thousand kites. This does not include the cost of gum used for kite making. On an average one woman can make 1000-1500 kites in a day with some support from other family members giving her a daily earning of Rs. 30 to Rs. 45 and a net earning of Rs. 25 to Rs. 40 per day. In case, some woman tried to sell the kites directly, no trader would buy from her. In case some one would agree then the price that would be quoted for the kite would be so low not even covering the cost of the production. Moreover, if a woman approached someone for direct sale, the traders would form a group cartel and see to it that she is NOT able to sell her products.

Those into manufacturing of envelopes and file folder were also receiving less payment for their work. They faced problem in the form of irregular payments and orders from the middlemen.

More than 60 percent of the women in kite making and others undertaking production through putting out wanted to start their own business venture. But for several reasons some of them and all in kite making particularly are unable to do so. Initially this work was done by the male members of the family. However, later on this work was passed on to women. The reason being, given the need of time, it was desirable by the male members of the family, that, even women should take up some work and contribute economically to the family. But at the same time they wanted that their religious customs and social traditions are followed rigidly and did not want the women to take up work outside their homes. They wanted the women to carry out work from their home and support family economically. So, this work was passed on to women were conveniently and as such this work didn't require any specific skill and men undertook regular employment. Any industry which offered good employment to women would be besieged with application. The transfer of women's work from household to commercial activities is one of the most notable features of development. It is not by any means, all gain but the gain is substantial (Lewis, 1954).

Some other problems that these women face in taking up their own independent business are; firstly, availing credit was a major hurdle. As they did not have any collateral and no formal letter from the agents, and because their earnings are low and they do not file income returns, it was difficult for them to get loan. Secondly, because of the social constraints sometimes, and also due to lack of market information these women found it difficult to market their products. Also, their religion did not allow them to go out and work.

Very few of these women (2.5%) were able to take up entrepreneurship at their own and successfully establish their business venture. It can therefore be said that putting out system can be a gateway for entrepreneurship.

#### **Over coming problems and constraints**

"A variety of problems are faced by the entrepreneurs in establishing and running their business ventures. The problems range from mobilising various resources including capital, raw material, marketing of the product, labour recruitment to harassment from government officials, etc. They face problems as entrepreneurs and also as women. The problems that women entrepreneurs face are far more than their male counterparts due to the existence of societal taboos and restrictions". (Ganeshan, & Duraipandian, 2000) "Women have many constraints which limit their impact as entrepreneurs in the economic life of most of the countries. These constraints may have socio-cultural basis historically but the effect lingers despite legal and/ or constitutional support.

### **V. CONCLUSIONS**

In majority of developing countries, of late increasingly the vast scale and rate of growth of the informal sector presents a dilemma and a challenge for governments, social partners and the civil society alike. There exists a kind of dilemma in the sense that, as the informal sector encompasses employment situations, which not only differs from those in the formal sector, but also contravene ahead established convention and laws. There is a challenge, as it absorbs a large and growing proportion of the labour force, and provides a "security grid" for the poor, who otherwise find themselves excluded from formal system of employment and income opportunities. Women as owners of micro enterprises and small entrepreneurs are increasingly becoming key target group in urban informal sector. The problem of women's employment and poverty can be tackled efficiently by developing entrepreneurial skill among them. Many states have come up with the several schemes so to support and generate self-employment among women. Low level of literacy and traditional division of work has affected the perusal of entrepreneurship by women and their entry into new occupations. This leads them into "feminine occupations" and severely narrows down the position of women in labour market. During the recent times planners and administrators have started giving more attention to the home based work the reason being these industries on the one hand can achieve optimum level of production with less space and power and helps to generate employment.

Notes

- 1) Requote Lazerson, 1995.
- 2) For details see Patel Jyoti (2005).

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