

Summary

Impact of Recent Policies on Home-based Work in India

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The labour market in developing countries is a reflection of the production structure in the economy. The various segments of the product market form a continuum of production techniques each producing a different quality of the final goods or intermediate products for the final goods. Home based workers form a certain production system reflecting the continuum of production techniques. These workers are not a homogenous group and they form a continuum of categories based on the degree of dependence from the fully independent to the most dependent.

The home based workers comprised 20.9 percent of the total non-agricultural workforce in 1999-00, and women constituted 45 percent. The dependent producers constituted about 9 percent of the workforce. The proportion of female dependent producers was much higher among the female workforce, 18.2 percent. In the continuum of categories the independent and dependent self-employed workers comprised of almost equally 45 percent each. Among the dependent self-employed, only about 9 percent were engaged in horizontal subcontracting, which is relatively independent status, the rest being dependent producers. When viewed in terms of production systems based on a continuum of dependent relationship, the men were mainly at the most independent extreme as self-employed workers, while the women were in the most dependent status in vertical subcontracting chains. While 12 percent of the men were in horizontal subcontracting only 6 percent of the women were so. In contrast, while only about 22 percent of the male dependent producers were in vertical subcontracting, women comprised 47 percent.

While there was an increase in absolute number of home-based workers, their share in the total unorganized manufacturing did not increase, except marginally for male production workers. The growth of home-based work was faster among women (2.3 percent) compared to men (0.2 percent). The growth of female home-based work was largely in low quality employment industry groups, tobacco and wearing apparel industries, though there was also a growth in female home-based work in chemical product industry, which had good quality employment. However, a large number of growth-oriented industries (in the top growth category) with good quality employment growth had an increase in the share of male home based workers perhaps indicating an attempt to reduce transaction costs.

The wages of regular and casual workers clearly shows that irrespective of workers being home-based or non home-based workers they earn lower than the prescribed minimum wages. The home-based workers earn lower wages than the non-home based workers, irrespective of whether they are regular or casual workers, and across gender female home-based earn relatively lower wages. Across the industry groups, we find that

industries that had observed growth in home-based work, except for regular workers in wearing apparel, the wages of home-based were lower than non home-based workers. In the chemical products industry the wage differentials between the home-based and non home-based work in both regular and casual employment was very stark. The wage earnings of the male home-based workers in most of these industry groups that they grew were lower than the non home-based work. It is possible that these industry groups, with high growth in home-based work was engaging in a cost-cutting strategy by employing these workers at low wages.

In Chapter 1, we had laid out three hypothesis, one, that in period of rapid economic reforms and increasing competition, industries would adopt cost-cutting strategies leading to an increase in home-based work. A simple analysis of growth and proportions showed us that this was not true in the aggregate. While there was an overall growth of number of home-based workers there was a reduction in the proportion of home-based production workers. However, the proportion of male home-based workers grew slightly over the period.

The second hypothesis was the expectation that high growth industries may adopt technology intensive strategies rather than cost-cutting strategies, resulting in these industries not having an increase in home-based work. This hypothesis was true for the aggregate, but not so for male workers. We surprisingly found a growth and a small increase in proportion of male home-based work in the high growth industries with quality employment. Therefore, high quality growth was accompanied with growth of home-based male workers in some industries and only in the other chemical products for women.

Finally the third hypothesis, that women workers dominated industries would have a high proportion of home-based workers was substantiated. These industries were also expected to be less technology intensive and hence to grow with increasing home-based work was true mainly of the wearing apparels industry.

We developed two macro and micro models of the determinants of home-based work in India. The macro model was estimated for aggregate, male and female workers. The most interesting results of the macro determinants of home-based work was that while the trade policy variable clearly had a negative impact on male home-based work, it did not appear to affect women home-based workers. Policies to encourage openness and exports are likely to be technology intensive and lead to a decline in male home-based work. However, the industry policy variable had a distinct opposite impact on gender, with an increase in female and decrease in male home based work.

The macro model very clearly also showed that the most important determinant for the increase in both male and female home based work was due to increase in the unit cost of labour implying firms could be following a cost-cutting strategy. This wage differential was very clearly pointed out in the wages chapter which showed that the home-based workers both males and females earned quite low wages compared to non home-based

work in both regular and casual employment, especially in industries which had observed high growth of home-based work.

Overall there was a clear impact of the macro variables on the shifts towards or away from home-based work. Again to a large extent male home-based work is better explained by the macro variables included in the model. The supply side and micro variables may have a greater influence on participation of women in home-based work. The micro supply determined variables such as lower education levels and household responsibilities had a significant impact on the choice of home-based work for women.