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## **Chapter 6 Urban Labor Market Changes and Social Protection for Urban Informal Workers: Challenges for China and India**

Sunil Kumar and Bingqin Li

In the early 1970s, the International Labor Organisation's (ILO) country missions and the ILO World Employment Program's series of city studies sought to move away from a preoccupation with unemployment to a focus on employment (see, for example, Moser, 1978). Simultaneously, the popularization of the concept of the 'informal sector', based on Hart's (1973) research on workers outside the regular waged sector in urban Ghana, produced a vast amount of scholarship on not only how to conceptualize the informal sector but also what policies are needed. This discussion is far from over. Four issues, in particular, are of relevance to contemporary discussions of the informal labor market. First, the evidence overwhelmingly points to the fact that the urban informal economy is not only here to stay but is growing and provides the only livelihood option for a significant proportion of the non-agricultural work force in Asia, Africa and Latin America. Second, concerns relating to the informal economy in the 1970s, such as precarious, low-wage and irregular income, the lack of welfare benefits and poor working environments, remain the same in the 21<sup>st</sup> century. Third, a decline in regular waged work is pushing former salaried employees into the informal economy. In other words, the informal economy is no longer simply a holding ground for those waiting to enter into salaried formal sector jobs. Fourth, changes in employment practices as a result of globalization, especially in new areas of comparative advantage (such as services), are giving rise to contract based

employer-employee relationship with reduced welfare benefits – a process which some have termed ‘informalization’ (Meagher 1995; Sassen 1997; Tabak and Crichlow 2000).

The labor market of China has also experienced informalization. Informal employment has increased to more than 50 per cent of urban employment in 2004, while the guarantee of welfare benefits has declined. These changes have resulted in less stable and worse paid work as well as, poorer labor protection. In order to address these challenges, the state is taking actions to address issues of social protection for urban informal workers (see, for instance, Howell 2002). The intention is to gradually integrate informal workers, mainly rural-urban migrant workers, into a formal social security system (Mi 2004; Lu and Yang 2003). Simultaneously, a number of organizations representing informal sector workers’ interests are emerging. The forces against informalization now come from both the state and the non-government sector. In the past, the state did not encourage non-government organizations (NGOs). However, the rapid increases in rural-urban migration and other forms of informal employment dwarfed the state’s efforts and investment. City governments could hardly cope. Starting from the early 2000s, the state began to acknowledge and work together with NGOs, though not without control and check (Zhan and Han 2005). All these changes make the future roles of the state, unions, NGOs and workers in maintaining ‘decent’ work not as clear as when formal work was the single most important source of employment.

India, offers a good comparison and reference not only because of the scale of the labor force and rapid economic growth, but also because of its fairly different

employment culture: the dominance of informal employment, less state direct intervention and tradition of workers' self-organization. Access to work in India's non-agricultural sector has and continues to be provided by the informal economy (about 83 per cent). Following the reports of the Task Force on Employment (Government of India 2001) and the Second National Commission on Labor (Government of India 2002), the government is attempting to bring about legislative reforms aimed at workers in the informal economy. Urban informal workers have had a history of seeking to organize in order to gain a more powerful voice and negotiate a range of benefits from the state and employers with varying degrees of success.

This chapter seeks to explore the challenges that the urban labor market raises for the social welfare of its workers regarding labor market trend, state intervention and workers' organizations

### **Urban labor market trends**

In China, an urban area is defined administratively. A large part of a city's administration area can be peri-urban and rural. Its population is not officially registered as 'urban'. A more frequently used measurement of urbanization is based on population registration. The household registration status or the '*hokou*' system has been used to classify who is urban and who is rural. In 1978, China's urban population was 172.5 million (17.9 per cent) increasing to 437.5 million (30.4 per cent) in 1998. From 1999 the speed of urbanization accelerated and rural population began to drop for the first time in 20 years. By the end of 2005, the percentage of urban population reached 562.12 million (43 per cent and more than 2.5 times of the

urban population in 1980) and it is estimated that it will reach 60 per cent by 2020 (Li 2005).

In comparison, in India, a geographical area is deemed to be urban only if it meets all of the following three criteria: a population of more than 5,000; a density of more than 400 persons per square kilometer; and more than 75 per cent of its male labor force engaged in non-agricultural activities (Visaria 2000a). Urban population increased from 62.4 million (17.3 per cent) in 1951 to 285.3 million (27.8 per cent) in 2001. This slow pace of urbanization is reflected in the decline of average annual urban population growth rates - from 3.79 per cent (1971-1981) to 2.71 per cent (1991-2001) (Dyson and Visaria 2004: 116). It is predicted that India will be 35.6 per cent urban in 2026 and 44.3 per cent in 2051 (Dyson and Visaria 2004: 120).

Nonetheless, what is of significance is the size of the urban populations: China with 562.11 million in 2005 and India with 286.12 million in 2001 (Census of India 2001). This raises an important question of how the poor among these large urban populations seek to establish livelihoods. The pattern of China's urbanization has had profound impacts on its urban employment structure. First, there seems to be an unlimited supply of cheap and unskilled laborers. According to the Rural Household Survey of 2004 (National Bureau of Statistics of China 2005), 102.6 million rural workers migrated to cities. In 2004, 57 per cent of those employed in industries were ex-peasants. More specifically, 68 per cent of workers in manufacturing, 80 per cent in construction, and 52 per cent in service industries are rural residents. More than 90 per cent of employees in city cleaning, domestic work and catering services are rural to urban migrants. Second, there has been a dramatic increase in informal

employment. For many years, the official *hokou* system discouraged rural labor from seeking employment in urban areas, especially in large cities. However, many urban employers managed to hire rural workers to save on labor costs. They were signed up as ‘temporary’ employees or paid on a piece-rate basis. Third, informal employment has become a practical solution to urban unemployment. People who could not find jobs in the formal sector have taken up self-employment. As a result, more than 70 per cent of the urban unemployed are now working under flexible arrangements (Ministry of Labor and Social Security 2002, hereafter MOLSS). In total, urban self-employment accounted for 9.5 per cent of total urban employment at the end of 2004 (Li 2006).

The gradual and steady pace of urbanization in India has not created the sudden changes in the urban labor market that China is witnessing. In India as a whole, employment in the formal organized sector has and continues to be less than 10 per cent of the labor force. However, this figure is higher in urban areas at around 40 per cent in 1999-2000 with self-employment accounting for 42 per cent and casual employment for 20 per cent in the same period (Government of India, 2001).

In this broad context of urban labor market changes this chapter considers the ability of informal urban workers to secure welfare benefits – better wages and working conditions as well as social protection – through a range of state and non-state based mechanisms.

### **Institutional and legislative arrangements for urban labor and social welfare**

This section examines the institutional and legislative arrangements aimed at improving the social welfare of workers in the urban informal sector in urban China and India. The focus is on the levels<sup>1</sup> at which policies are formulated and the challenges to decentralization and adoption. In addition, the extent to which these policies are or likely to be effective are also explored.

### Legislation

For quite a long time since the beginning of economic reform in 1978, the Chinese government did not require new enterprises, especially the privately owned, to offer labor protection. In 1992, the revised Labor Law was published. Later, more than twenty regulations were published to offer implementation and organization details targeting specific social groups. Apart from state regulation, there are also ministerial regulations and local government regulations to give more detailed instructions on enforcement. Over time, China has developed four major elements for the system of labor protection. They are labor relations (labor and collective contracts, and termination of contracts), labor standards (working hours, wages, safety and health, on the job training and protection for women and juvenile workers), social insurance and welfare, and labor law enforcement (Fan 2003).

India has a long history of legislation aimed at protecting the rights of workers. There are about ten labor laws applicable to workers in the unorganized sector covering wages, contract and migrant workers, child and bonded labor and welfare ceases (Ratnam 1999). Some of these, for example, include the

Factories Act of 1948 (working conditions, working hours, child labor, health and safety and the working environment among others); the Employees' State Insurance Act of 1948 (accident compensation and sickness and maternity benefits); the Payment of Bonus Act of 1965; the Employees' Provident Fund and Miscellaneous Provision Act of 1972; and the Payment of Gratuity Act of 1972.

#### State Institutional arrangements

In China, at the central government level, social security is under the control of the Ministry of Labor and Social Security. In practice, all schemes are managed and administered locally--at or below the provincial level (Saunders and Shang 2001). In the social insurance system, employees contribute jointly with their employers. Each person has an individual account that can be drawn upon to receive pension or healthcare coverage when certain conditions are met. If a person is unemployed, he/she can receive unemployment benefits for a certain period. For many years, social insurance schemes were only open to urban formal employees. When employees left the formal sector, their membership to the social insurance scheme was terminated (He et al 2003). After 2000, there were various attempts to expand social insurance coverage to urban employees outside full-time formal employment, such as temporary workers, rural-urban migrant workers and foreign workers.

The minimum living standard guarantee is the responsibility of the Ministry of Civil Affairs. It is a non-contributory means-tested social assistance program.

Administration of the program is carried out at the provincial level or lower. Funding for minimum living standard guarantee comes mainly from local budgets. The central government only contributes marginally to support poverty and unemployment ridden cities (Cook 2002). So far, only urban citizens are entitled to minimum living standard guarantee.

The government of India has initiated about 19 special employment programs since 1970. Only two out of these programs focused on urban areas. These are Self-Employment Program for the Urban Poor (SEPUP) 1986-87 and the Nehru Rozgar Yojana (NRY) – 1989 with three components: Scheme for Urban Micro Enterprises (SUME); Scheme for Urban Wage Employment (SUWE); and the Scheme for Housing and Shelter Upgradation (SHASU) (Agarwala and Khan 2001). A main innovation is the welfare board. The State of Kerala is the most successful in its coverage of unorganized workers (rural and urban). Welfare boards are financed jointly by workers and employers. The state government offers some assistance. The benefits are entitlement based (for example, retirement, accident and illness). Some important guarantees (for example, of either work or unemployment benefits) are not available (see Nair 2004). A more progressive model of a welfare board has existed in the western State of Maharashtra under the Maharashtra Hamal Mathadi and other unprotected workers (Regulation of Employment and Welfare) Act 1969. The act requires compulsory registration of employers and workers at the statutory board. Board

members include representatives of employers/traders associations, trade unions and the state. Employers pay for the administration costs of the board. The board deals with workers' contribution and pays wages to workers (Chikarmane and Narayan 2000).

### Challenges to legislation and institutional arrangements

It is often pointed out that unless legislation can be enforced, the relevance of further legislation is doubtful. As Gosh (2002: 38-39) notes:

‘...it is a common misconception among academics and policy makers, that social realities can be altered by legislative fiat. The relationship between laws and social change...is always shaped more definitively by political economy and social configurations than by imposition from above, however well intentioned and analytically convincing such imposition may be....Throughout history and across countries, the recognition and granting of workers' rights have not occurred because of the benign intentions of governments, but because workers and other social movements have struggled and fought for such rights. That is also why, even when such rights are “officially” accepted at both national and international levels, they can be systematically denied to large numbers of citizens because of the prevailing political and material realities.’

What the Chinese government has been trying to do in relation to informal employment is to remove the ‘informallness’ of employees through the expansion of labor contracts to all employees in the formal sector. Regardless of the terms of

contract, any identifiable employment relationship should be recognized and provided equal treatment. Theoretically, according to the new Labor Law, all workers were entitled to equal labor rights as long as the worker can provide evidence of employment. If properly implemented, this may ultimately lead to an integrated social security system for all people working in cities through enforcing employer based social insurance. In practice, this is far from being achieved.

The Chinese social security system in the past was designed to cater the needs of urban formal employees. Extending protection to informal employment raises several challenges.

1. The decentralized funding for social security means that local governments do not receive more money for covering more people. Thus, they do not have the incentives to stretch the limited resources to the informal sector and new settlers in the city (Li 2005; Wong 1994).

2. Local governments count on local businesses to boost economic growth. The central government's long lasting strategy to pursue growth motivates the local government to behave in favor of employers rather than employees (Lin and Liu 2000; Zhang and Zou 1998).

3. The Labor Law legislation is not backed up by relevant legislations in other areas. For example, the Labor Law acknowledges protection of workers rights. Other laws continue to facilitate the arbitrary detention and imprisonment of human rights defenders (Amnesty International 2004).

4. The need for labor protection by the informal employment is difficult to capture.

The problems can be in the measurement and the special characteristics of informal employment (Li 2006).

5. Some recent research found that even if informal employees are allowed to participate in these schemes, it is not always the case that they are willing to join (Zhao and Xu 2002).

The challenges point to the government's limited capacity. However, as workers are more aware of their rights, especially those from rural areas, if the government continues to fail to fulfill their promises, it is constantly inviting dissatisfaction and even resentment.

The problems in India are of a different sort. It is estimated that the Employee Provident Fund, the social protection instrument with the widest coverage has only reached 10 per cent of the workforce (Jain, 1997). The government recognized the challenges in policy implementation:

'The laws or welfare systems that we propose for them [unorganized workers – estimated to be 93% of the workforce in India—authors' insertion] cannot be effective unless they themselves are conscious of the laws, and acquire the strength to ensure that laws are brought into force; unless there are effective means to implement, monitor and provide quick redress; unless breaches of the law are punished with deterrent penalties, and unless the organs of public opinion and movements and organizations

mount vigil, and intercede to ensure that the provisions of the laws and welfare systems are acted upon' (Government of India 2002: 594-95).

Clearly, the state on its own does not have the inclination or the ability to ensure access to social protection for informal workers. This raises serious doubts in relation to two proposed pieces of legislation aimed at unorganized workers. These are: Unorganized Sector Workers' Act 2004 and the Unorganized Sector Workers' Social Security Act 2005. The former has mainly a policy and research focus but also calls for the setting up of an Unorganized Sector Workers Welfare Fund. The latter calls for the establishment of a National Social Security Authority (NSSA) for the Unorganized Sector. The act notes that the NSSA shall have the power to allow the Union or State Government to create an appropriate mechanism for collecting contribution from individual employers (or their contractors wherever applicable), a class of employers, a whole industry, or to levy a tax on any goods produced or processed or manufactured in order to partly finance the schemes, programs and projects undertaken by NSSA. However, with 93 per cent of the work force in the unorganized sector, it is difficult to see how such national or state level attempts to provide social security can be successful.

Furthermore, institutional and legislative arrangements in India are subject to a dialectical tension because central and state governments are 'partners' in their policy making and financial responsibilities. For example, responsibility for employment is vested in the elected representatives of the state government who cannot be forced to adopt central government policy. In urban areas, policies

and their finance become the responsibility of municipal governments. Thus, although legislation may be passed by the central government, to what extent workers can seek its protection depends upon the state government's willingness to accept and adopt the central government regulations.

Although China and India are seeking to legislate for the social protection of their urban informal workers, a key difference is that the Chinese government took a more paternalistic approach and the policies are top-down. Whereas the Indian government rather sees legislation as something that individual workers can seek recourse in. The top-down approach only proves the existence of government failures, and seeking individual recourse simply has not worked.

### **Urban informal workers – organization and representation**

State policy and institutional arrangements are necessary; however they are not sufficient to ensure social protection. The main issue is the extent to which workers are able to successfully contest work related injustices and gain recourse to legislative and other institutional mechanisms.

#### A brief history of workers' organization

During the central planning era, China's urban workers were organized through state controlled trade unions. The unions represented both the state and organized workers during the pre-reform era. This made them an important conduit for the state to control workers. The same system was extended to the non-state sector since the

reforms in the 1970s. Since the state was responsible for the welfare of workers, unions were not active in protecting workers' interests (Chan, 1998). However, the role of unions poses challenges in the reform era, because, first the fast growing non-state sector contains a growing proportion of the unorganized urban labor force; second the inflows of rural-urban migrants who are largely working as short term informal workers were not entitled to unionization; third a shrinking state sector has eroded job security and social protection; and fourth unlike the state private employers do not have the incentives to care for workers' interests.

Interwoven with British colonialism, India has had a long history of trade union activity beginning with the factories act of 1833 and the Trade Union Act of 1926 (Mathew 2003). The Trade Union Act allows unionization in the formal as well as informal sectors as long as more than seven workers decide to collectively organize (Dasgupta 2002: 2). However, the registration of any union has to be undertaken with each state's Labor Department who is often reluctant to register unions because of three concerns: the lack of an employer-employee relation, the heterogeneity of the informal economy and their dispersed locations (Dasgupta 2002). Also, there is no law that recognize of trade unions and consequently no legal obligations for employers, even in the organized sector, to enter into collective bargaining. It is the strength of some trade unions that bring about widespread collective bargaining, especially in the organized sector (Mathew 2003). As a result, there is limited unionization amongst unorganized workers. Even in the formal sector, the power of trade unions in representing and claiming the work based rights of its members is being gradually eroded as a result of casualization and a decline in union constituencies (see, for example, Breman 2001; Jhabvala 2005).

## Forms and levels of organizing the unorganized

There is general agreement that organizing and representation is important in enabling urban informal workers to secure their legally entitled rights and guarantees. The question, however, is what form of organization they should be organized into (Aziz 1997: 49). The simple answer is that there is no one organizational form. The heterogeneity in the forms of work (for instance, own-account, disguised wage, domestic, casual and contract work) give rise to differing needs and priorities for different groups of workers. A second question relates to local versus national, and formal versus informal forms of organizing.

### *Unionization*

From 2000, the Chinese government began to urge trade unions to offer membership to rural to urban migrants. However, the implementation of the seemingly compassionate regulations is poor. This is largely because of the high costs of enforcing labor law, the inability of the government to monitor policy implementation, the lack of incentives for union leaders to take in rural-urban migrants as members (Howell 2003) and the lack of sufficient protection for people who bargain and fight for workers' rights (Amnesty International 2004). As a result, government controlled unions often refuse to offer membership to informal employees, often rural-urban migrant workers, even if it is against the state regulation.

In India, the unionization of unorganized workers in the informal sector has tended to be trade or activity based – such as domestic workers, sex workers, street vendors.

Initiatives to organize unorganized workers in the urban informal economy date back as far as the early 1950s (Sundaram 1997). Of late, there has been an increase in such forms of organizing informal workers, reviving the principles of collective bargaining of the trade union movement. For instance, the estimated number of people involved in the collection of recyclable waste in the city of Pune, Maharashtra state is 7,000, of which 85 per cent are waste pickers and the rest itinerant buyers. 5,000 of them were organized to form the Kagad Kach Parta Kashtakari Panchyat (Scrap Collectors Association) in 1993 (Chikarmane and Narayan, 2000).

Attempts to organize at the local, regional or national levels with the view to secure the rights of workers is a painfully slow process. It is due to the laborious processes of negotiation with the state as well as the scattered locations of both workers and employers. This is even more so in the case of domestic workers with one worker having more than one employer. At the national level, the National Alliance of Street Vendors of India (NASVI) was formed in 1998 with its secretariat in Patna, Bihar. Some highlights of NASVI policy include issues around representation, licensing, spaces for trading and protection from evictions. The benefit of a national level federated organization is the strengthening of ‘voice’. NASVI, for example, has been able to bring about litigation in benefit of street vendors as well as influence planning decisions (Cohen et al 2000).

*Collective self-organizing and provisioning*

In China, rural-urban migrant workers are not keen to join the union. They are different from urban workers in many ways. They are often more mobile – they change jobs, move between cities, and travel between cities and their home villages.

Thus social protection of rural to urban migrants has different priorities.

Organizations set up by rural to urban migrants often have better understanding of their needs and hence be more practical. The state recognized this advantage and began to allow rural to urban migrants to set up separate unions. The first self-organized union for rural to urban migrants was established in Shenyang in April 2004. By April 2005, it had more than 5,200 members.

Later many unions of this type appeared in other cities. They are now playing an important role in helping migrant workers to protect their rights in cities. Unlike the trade unions for urban workers, unions for migrant workers are not embedded in the workplace. They mainly locate in the local labor market where ex-peasants come to look for jobs. It is easier to organize and independent from employers. This is convenient for workers who change jobs frequently. Membership is free.

According to the Ministry of Civil Affairs of PRC, by the end of 2004 there were more than 10,736 non-profit organizations (NPOs) categorized as ‘labor’ related. China’s NPOs are in an awkward position. According to current NPO regulations, an NPO should be approved and registered with the authorities. To be eligible for registration, an NPO should have at least 50 individual or 30 group members. It should have fixed office place. It should hire full time staff members. Organizations at national level should have more than 100,000 Yuan working fund. Local organizations should have more than 30,000 Yuan. It should function as a legal body

that is able to take legal responsibilities concerning civil cases. These regulations have created barriers to the establishment and registrations of NGOs. First, not many NPOs are able to meet the funding requirements. Second, not all organizations need full time staff members. This requirement is particularly detrimental to self-organized workers who have full time jobs. Also, it is not practical for many organizations to have fixed offices. The requirements made it almost impossible for organizations aiming at confronting the authorities, such as independent trade unions, to register (Zhao 2001). Independent trade unions are still taboo in China (Amnesty International 2004). Independent organizations without government permission are suppressed.

However, self-organized groups are not always officially registered. A survey carried out by Xie (2003) shows that only 8 per cent to 13 per cent NPOs were officially registered. There are various self-help groups operating under different names. For example, Chinese Women Network in Hong Kong, Nanshan District Woman Worker Service Centre in Shenzhen, and Farmer Friends Cultural Development Centre in Beijing (Zhan and Han 2005). Compared to the situation of rural to urban migrants, informal workers from urban areas are even less organized, especially those working for private and small enterprises. There are no unions inside small enterprises and there are no labor market based unions for them to participate. As a result, they are not really represented in the trade unions.

In India, impoverishment among poor working women, mostly own-account workers, has led to organizational strategies focused on securing the resources needed for *production*. There is no doubt of the need for such support in a country where there is no social security. However, this strategy alone is unlikely to make much progress

creating better forms of work in relation to the ILO agenda of decent work for several reasons. First, credit and savings based organizations take time to build membership and the need to correctly maintain the management of funds requires small group formation. Although there is nothing to stop these groups from coming together to increase voice, it is essentially about securing production related resources for the members of the group. Second, the ability of the members to actually negotiate production related resources depends on how empowered the members are. If the collective is dependent on a single articulate person, this will constrain the reach of the collective. Third, there is the danger of the state realizing that there is no need for structural changes that underpin the skewed balance in access to resources because of the manner in which the collective is seen to succeed.

#### *Combining unionization and self-organizing*

The free membership of migrant workers' unions in urban China makes it difficult for them to be sustained and expand. Recognizing these unions' capacity to organize and support workers, the state now has the incentive to use them as supplementary to the formal union system and bring it under formal control. By allocating working capital through All China Federation of Trade Unions (ACFTU), rural-urban migrants' unions are now members of the ACFTU. For example, the Shenyang rural-urban migrant workers union recently received a 100,000 Yuan from the municipal and district trade unions (Xinhua News Agency 2006).

Similarly in India, there are movements trying to combine unionization with self-provisioning. The largest of these is the Self Employed Women's Association

(SEWA), based in the city of Ahmadabad, in the western state of Gujarat. In 2002, although SEWA membership is predominantly Gujarat based (its origin) accounting for 78 per cent of its all India membership, the remaining 22% of its members are from seven cities in five India states (Madhya Pradesh, Uttar Pradesh, Bihar, Kerala and Delhi). Until 1994, SEWA membership was urban due to its original base in the city of Ahmadabad. By 2000, its Gujarat membership stood at 38 per cent urban and 62 per cent rural. Most of SEWAs Gujarat memberships are manual laborers and service providers (56 per cent) with home-based workers being the next largest category (35 per cent) and the remaining made up of hawkers and vendors (9 per cent) (SEWA website<sup>2</sup>). SEWA has provided its members with the ability to save and obtain credit, housing, health care and child care. Since 1990, SEWAs activities have been broadened with a program of insurance in conjunction with public and private insurance companies (Vimosewa, 2006).

However, unions for migrant workers have their limits. First, unions have to battle against the government's interest in protecting local businesses. Thus, even with stronger state support, it is not always easy to protect workers' rights. According to the statistics of the All China Federation of Trade Unions, overdue salaries in enterprises reached 21.5 billion Yuan by the end of October 2005, though 12.9 billion less than in 2004. Second, because they are not organized according to trade and are not involved in the decision making inside businesses, they are not able to engage in collective bargaining (Zhou, 2006). In this sense, the institutional innovation can at most provide a partial protection.

Organizations of informal workers tend to have two weaknesses. The first is the scale of coverage even within a trade or activity. This is due to several reasons but the most significant one seems to be a question of incentive. Poor informal workers are so preoccupied with securing their livelihoods that there is a tension between short term ‘practical needs’ and long term ‘strategic needs’ – a distinction made by Moser in relation to gender needs (see, Moser 1993). The second is the lack of cross-trade or activity alliances under the banner of informal workers as a whole (Cohen 2004: 19-20).

In summary, changes in the urban labor market have introduced more interactions between the state, individuals and the non-government sector. At best, the efforts of self-organization are likely to remain fragmented with small gains being secured one step at a time. However, efforts should continue to be made on exploring ways to form coalitions of unorganized worker’s organizations in order to strengthen collective voice and representation. Pressure also needs to be put on state governments to adopt and ratify legislative reforms if national level organizations of workers are to be more effective.

## **Conclusions**

The changes in the urban labor markets of China and India pose two significant social protection challenges. The first relates to increasing informal basis of working relationships. Given that informal work is assuming greater importance and few newly created jobs offer full protection as they used to, the state needs to take a more active role in insuring that informal work is ‘decent’. The second challenge relates to

the role of state and non-state actors in ensuring that workers can secure the guarantees and rights they are entitled to.

However, these challenges differ. First, in India the proportion of the urban labor force who are either self-employed or in casual work has increased gradually from 57 per cent in 1994 to 61 per cent in 2004. In the case of China, the proportion of those outside the salaried state and private sectors has increased sharply from just over 20 per cent in 1994 to nearly 60 per cent in 2004. Second, the comparison has highlighted the difference in the scale of self-employment: in India it increased from 39 per cent in 1994 to 43 per cent in 2004 whereas in China the proportion is much smaller at nearly 10 per cent in 2004. As pointed out earlier, the social protection needs of those that are self-employed differ from those that are in either casual or piece-rate contract work. For some of the former, access to resources for 'production' takes precedence whereas for others it would also include the right to urban spaces for trade. For the latter, the important issues are related to wages, benefits and working conditions. In China, an additional challenge is how to integrate rural to urban migrants to the urban social protection system, which is almost completely different from the rural system and how the state can effectively engage non-state actors to complement the state's efforts.

There can be no doubt that protection of social rights and guarantees against various risks need to be institutionalized. Both the Chinese and Indian governments have been active in legislating on this front. However, in both countries, there has been limited success in enforcement due to a combination of weak state capacity and information asymmetries. While increasing resources would help, the main deficiency is 'political

will'. In a globalized world, where the location of production and services is based on cost considerations, political will is likely to be biased towards those that generate work. The struggle by workers for equitable treatment from the polity will be a long one. The emerging interest in corporate social responsibility (CSR) may provide a platform for improved wages and working conditions for contracted factory and home-based workers. There is also a need to reflect on the nature of legislation. The Indian experience shows that legislation based on a traditional employer-employee relationship can work for informal workers in relation to securing rights related to wages. However, when it comes to legislating for social protection (for example, unemployment, illness and retirement benefits) attention needs to be paid to the issue of incentives. The key to the participation of and contribution from informal workers lies in convincing them of the benefits and guarantees that any scheme has to offer. India could learn from China in the area of the guarantee of minimum living standard for urban residents, something that the welfare boards lack. This is a challenging task, given the varied nature and fragmented location of work in the informal economy. In relation to the other areas of social protection, the India's greater experience in self-provisioning and the engagement of civil society may provide directions for China.

It is unlikely, at least in the near future, that the Chinese and Indian states will assume primary responsibility in either enforcing legislation or institutionalizing social protection for its urban informal workers. This chapter has shown that there have been attempts using a range of strategies to fill the gap in both the provision of social security (both production and work based) and the enforcement of legally constituted rights resulting from weak state capacity. India has been a forerunner in this area. The struggle to ensure guarantees and rights has been attempted in the form of self-

provisioning, unionization or a combination of them. These mechanisms raise several issues and suggest areas where lessons can be learnt. First, while self-provisioning is important in meeting the social protection needs of urban ‘producers’, it can in itself create a culture of dependency. While this can be overcome through programs of empowerment there is a risk that it can make the state complaisant by removing pressures to institutionalize the required guarantees. Second, the Indian experience has shown the importance of collective action in the form of unionizing workers to bring about changes in social protection policies relating to urban informal workers. But the struggle is a slow and long drawn out one. Thus, there have been more successes in India when self-provisioning and unionization have been combined. Third, there are lessons to be learned from not only the benefits of having nationally active unions but also the weaknesses associated with the lack of cross-union activity. Notwithstanding the fact that the disparate trade or activity of informal urban workers generates their own needs and priorities for social protection, there is one thing that they have in common – the lack of social protection. Federations of unions can enhance ‘voice’ – something that is more important than the difference of interests between them. Fourth and finally, the Indian experience has shown that the success of unionization is highly dependent on it being independent from the state. In China, the state has taken on a dominant role in trying to provide and control the resources for protecting social rights and offering formalized guarantee for the informally employed. However, so far state sponsorship (implicit and explicit) and the onerous criteria for registration of NPOs effectively nullify the power of workers unions. The newly established unions for rural workers are not yet able to be fully functioning trade unions. In China, the key issue facing labor protection is to persuade the state to

allow non-government activities and self-organization to help to achieve a goal which the state's paternalistic approach has thus far not been able to fulfill.

Urban labor market changes in China and India entail challenges in social protection for self-employed and casual workers. This challenge is not only for the state but also confronts a range of civil society organizations. Neither is this challenge a question of who should be responsible. The challenge is essentially one of securing the guarantees and rights associated with decent work and sustainable livelihoods. There is room for partnerships. However, it is essential that any potential partnership does not unduly compromise the guarantees and rights of those that are struggling to make a living.

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## Notes

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<sup>1</sup> The terminology referring to the levels of government In India are: top level – central government (India) and state government (China); second level: - state

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government (India) and provincial government (China); third level – municipal (urban India) and government below provincial level (China)

<sup>2</sup> <http://sewa.org/aboutus/index.htm>