A story of (foretold) decline: artisan labour in India

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Abstract

The economic and social trajectory of artisan labour in a rapidly growing economy is one characterised by deep transformations. In many cases, such transformation involves a general decline. One of the main reasons is the loss of market share as a consequence of competition from mass-produced goods. This leads to a reduction in the number of artisans working as independent producers, and a transformation of the production process into one characterised by property-less workers and owners of capital resources. Evidence emerging from one of the largest artisan communities in India seems to confirm this general trajectory. Whether this is a necessary outcome of growth needs to be questioned. The paper draws on findings emerging from the study of the art metalware industry in Moradabad, India, in order to explore the mechanisms that explain why artisans are increasingly being pushed into poverty. The paper also presents some conclusions concerning the shortcomings of government policy. It shows that the problem lies not only in generating more income at the level of the industry as a whole. It also lies in the mechanisms that determine how total income is distributed within the industry. Findings from the industry in Moradabad show that the issue of income distribution is not automatically resolved through higher productivity and market access. A broader vision on the issue of poverty alleviation amongst artisan communities is therefore warranted.

Keywords: art metalware industry, handicrafts, India, poverty in India

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1. Introduction

The economic and social trajectory of artisan labour in a growing economic system has generally been conceived in the literature as characterised by deep transformations. In many cases, this transformation involves a general decline in the economic status of artisans relative to other occupations. Evidence emerging from India seems to show that the country’s artisan communities are no exception to this. This is despite the high social values attached to the skills and cultural knowledge involved in the production of handicrafts in India. The most evident and worrying element of this decline is the acute poverty faced by many artisans and their families, despite the fast-paced transformations and growth taking place at the level of aggregate trends in the country. Given that crafts are a major source of employment generation in rural and semi-rural areas in India, this is important from a policy point of view.

According to most observers, the main reasons for the decline in the economic status of artisan labour in the context of contemporary growth include two main conditions. The first is the difficulties of accessing urban markets. The second is a loss in price competitiveness compared to mass-produced goods.

In response to this general analysis, the Indian government, in collaboration with other organisations such as the United Nations (UN), has put in place several initiatives to tackle the ‘bottlenecks’ existing in the industry. This includes credit and training facilities, marketing tools, and direct investment in modern technologies. The purpose of these initiatives is to make Indian handicraft products more competitive, particularly in international markets. These initiatives would help to protect the realisation of expected profit margins. This, in turn, would increase employment generation. According to the general view, it would also lead to poverty alleviation amongst artisans, since it would increase the demand for artisan labour (and other types of labour) in the relevant industries and thereby change the labour market dynamics (i.e. the demand and supply of labour) in favour of artisans and less-skilled workers.

Starting from this general account of the causes of the problem (and the proposed solutions), the paper presents the findings of a study exploring the factors explaining why artisans are increasingly being pushed into poverty. The argument brought forward in the paper is that the relationship between increasing total income at the level of the industry as a whole, on one hand, and raising artisans out of poverty, on the other, is not a straightforward one.

In order to bring this argument forward, we present two main set of findings. The first concerns the extent to which increasing productivity and market access automatically leads to poverty alleviation in the relevant industries. The questions to be asked include: to what extent is the lack of labour productivity and market access the cause of poverty amongst artisans in India? What other factors are also important? Evidence emerging from the art metalware industry in Moradabad (in the state of Uttar Pradesh) shows that, in addition to the industry’s loss of competitiveness in international markets, other factors explaining the decline in the economic status of artisans and workers, relative to other income categories and occupations, include the lack of institutionalised mechanisms linking net value addition (NVA) and labour incomes.
The implication for existing policy approaches is the need to consider the mechanisms determining income distribution outcomes as an added policy concern. While increased productivity and the increased marketing of products may help to protect profit margins, the decline in the money values attached to artisan labour in the industry may require a more direct approach towards the distribution issue. We can consider how to carry this forward by looking at the functioning of existing redistributive mechanisms, and at the barriers towards the developments of alternative forms of distribution and redistribution.

A second consideration that we bring forward in the paper is linked to the wider issue of the distribution of the benefits of increased productivity generated at the level of the economy as a whole. This includes the ability of artisans and less skilled workers to access employment in industries other than the art metalware industry. This in turn is linked to the acquisition of transferable skills. It also includes empowering artisans as consumers, which in turn would allow faster development of the local economy. Achieving poverty alleviation amongst artisan communities and less skilled workers may require contemporary policy approaches to incorporate a vision of the artisan that goes beyond the narrow focus of the growth of the industry, and that instead considers artisans in the industry as a consumption category and as citizens.

In order to carry out this analysis, the paper is structured as follows. Following the introduction, the first part introduces the theoretical arguments underlying the policy perspective taken by the various governmental and non-governmental organisations on the problem of poverty amongst artisans and less skilled workers in the handicraft industry. The second part of the paper moves on to describe the nature of the production set-up in the art metalware industry. This serves the purpose of contextualising the findings presented in the subsequent part of the paper. The third part presents the findings of the key mechanisms explaining the general decline in the economic status of artisans in this industry. The fourth part of the paper examines in more detail the role played by the weakness and/or lack of distribution and redistribution mechanisms in explaining the economic decline of artisans in the area. The purpose of doing this is to identify and highlight the areas of the problem that are not being addressed by contemporary policy approaches. The fifth part of the paper presents the findings concerning the wider issue of the conceptualisation of artisans and workers in the area, not only as a function of the growth of the industry, but as a consumption category and as citizens.

Artisan labour in the context of industrial growth and competition

The historical trajectories of artisan labour in the context of industrial development are often conceived in terms of an almost inevitable struggle between man-made and machine-made goods. In the Indian case, this tension is most extensively analysed in the textile industry (e.g. Haynes, 2001; Roy, 1999: 61-98; 1998; Twomey, 1983). The outcome of this struggle tends to be one where artisans are either pushed into wage labour in factory establishments and/or into poverty.¹ This is despite the fact that artisans are traditionally conceived as a privileged class within the labour income category by virtue of their skills (Hobsbawn, 1984).

¹ For a review of the more recent literature on this issue, see: Scrase (2003).
The main reason for this outcome is the inability of artisans in their traditional organisation of work and methods of exchange to outcompete machine-made goods (e.g. Birdwood in Stuart, 1917; O’Connor, 1996; Scrase, 2003; Roy, 1999; 2007). While allowing for differences in the way in which this comes about and in the time span, this analysis applies for artisan communities involved in different handicraft products, including utility goods and decorative items.

Handicrafts are generally conceived of as products that by definition are predominantly handmade. The Export Promotion Council for Handicrafts (EPCH) in India clearly establishes this element of the concept in the following definition:

Items or products produced through skills that are manual, with or without mechanical or electrical or other processes, which appeals to the eye, due to the characteristics of being artistic or aesthetic or creative or ethnic or being representative of cultural or religious or social symbols or practices, whether traditional or contemporary. These items or products may or may not have a functional utility and can be used as a decorative item or gift (EPCH Circular).

Based on this definition, it is not surprising to find that handicraft production tends to lag behind other industries when it comes to rates of investment in modern technology and labour productivity. The main element contributing towards value addition in the production process is the direct application of manual work on the relevant products. This process cannot be replaced by machines. Increases in labour productivity measured in terms of labour/output ratios, and mechanisation, are thus excluded a priori, at least in some aspects of production, especially if quality standards are to be maintained. This is even more so the case for decorative items. Overall, the nature of the products being produced includes an inherent barrier towards mechanisation and hence increased labour productivity. This, in turn, makes it difficult for producers to reduce production costs.

This basic fact constitutes the starting point of our analysis of the transformation of artisan labour from independent producers to wage workers, as well as the ways in which craft producers are affected by changes at the level of aggregate trends in the economy. These changes include: the decline in demand for handicrafts in rural markets; the shift from domestic to export-oriented production; and increased product market competition over prices and styles. A key question is the extent to which increased competition and changing tastes affect the ability of handicraft producers to protect expected returns on investments and/or costs. Variables that may affect this include: the existence of niche markets; the availability of skills and infrastructure to develop product variations and diversification; and/or marketing.

While these pressures apply to handicrafts producers in general, functional income groups will be affected differently, depending on certain key conditions. Artisans organised as self-employed producers under conditions of increased competition and trade liberalisation will be affected in two ways. Firstly, they will be affected by a loss of employment and income as a consequence of a loss of demand, where mass-produced goods out-compete handicraft products in certain markets. This impact will be reflected across the value chain as a whole. However, unlike other functional income categories, such as exporters and/or traders, artisans (and less skilled workers) will most probably
not have alternative sources of income to depend upon for their consumption requirements. Secondly, another way in which artisans will be affected is by changes in the money values attached to their labour in the context of market exchanges. Unlike traders and/or exporters who can use their infrastructure, knowledge, contacts and resources to diversify their income, artisans have very specialised skills. A loss in the values attached to such specialised skills may be linked to factors such as changing tastes and/or supply relative to demand.

It must be noted that the pressures falling on artisans in the context of industrial development and trade liberalisation are not synonymous with those emerging from the transition of the industry from a predominantly feudal order to a capitalist one. Rather, this is a transition from a system characterised by small producers, who own their means of production, to a division of classes between property-less wage earners and owners of capital.²

These questions become important from a policy point of view in India for two reasons. The first is poverty alleviation. The National Commission for Enterprises in the Unorganised Sector (NCEUS) describes artisans (and even more so less skilled workers employed in handicraft industries) as one of poorest occupational categories in the country (NCEUS, 2009: 320). The second is the economic development of the local economies within which handicraft production is carried out. The persistence of poverty amongst artisan communities will be reflected in consumption patterns of many households in the area. This in turn, has an impact on the degree to which the local economy will be able to grow, both in terms of total income and in terms of employment generation.

Studies seeking to address these questions in the Indian context tend to follow two main lines of enquiry. The first involves analysis of the barriers towards increased productivity in handicrafts (e.g. Chalam, 1990; Qureshi, 1990). Artisans today are either employed as wage workers in the context of factory/workshop production, or work as suppliers to dealers, factory owners, and/or retailers. Because of this general transformation, their role in increasing productivity in the industry is very small. Exporters and factory owners, on the other hand, are more likely to have the resources and the incentives to do so. However, unlike the typology of the capitalist entrepreneur, who accumulates and expands through investment in productive infrastructure, this activity is the requisite of only a few entrepreneurs in the industry. The reasons that are given in the literature include: the resistance by artisan labour to use modern technology in production; and the lack of funds to do so.

The second line of enquiry is the gap between artisan products and urban consumers. This gap has been widening over the decades as a consequence of a tightening of demand from rural areas, and also because of the increased focus on international markets. A spokesman for the Ministry of Commerce and Industry in this context notes that the target of the Indian government is to increase India’s market share of the world trade in handicrafts. The value of this trade is currently estimated to be about US$235 billion. Despite exports having increased substantially over the last decade,

² This framework of analysis is the one used by several scholars analysing the decline of artisans as independent producers in the context of the Industrial Revolution in the United Kingdom. Examples include: Hamilton (1926); Crouzet (1972); Shapiro (1967); Ashton (1955).
India’s share still constitutes about two percent of this trade. Several initiatives have responded to this problem in recent years. Business retailers such as Fabindia, and organisations such as Dastakar in India, are examples of this (NCEUS, 2009: 319-320; 333). The objectives of such initiatives include increasing marketing for artisan products in domestic markets, and creating outlets through formal stores or stalls in cities, both in India and also in other countries.

While both these lines of enquiry highlight important issues facing artisans in India, the assumptions underlying the policy initiatives taken by the Indian government and other organisations require further scrutiny. If alleviation of poverty amongst artisans is indeed one of the objectives to be achieved, the following two factors need to be examined.

The first is that increasing the competitiveness of Indian handicrafts does not necessarily mean increasing the incomes of artisans and workers in the industry, if the structure of distribution is left unchanged. The structure of income distribution within the relevant industries may need to be tackled more directly. A second dimension of the problem is the desirability of continuing to link the fate of artisan communities with that of the industry. In order to assess these issues, the following discussion draws upon the findings of the art metalware industry in Moradabad, India.

The case of the art metalware industry in Moradabad

In the following discussion we draw on the findings of case study research conducted between 2009 and 2010. The analysis concerns the changes and policy initiatives taken in the art metalware industry in the city of Moradabad, in the state of Uttar Pradesh, (UP). UP is an important state for the study of artisan labour, since it includes the largest proportion of artisans in the country (about 29 percent, as per 2007 data). Moradabad is one of the larger artisan 'clusters' in UP. According to more recent data made available by the Moradabad district website, there are about 25,000 listed artisans working in the area.

The industry is amongst the better known production clusters of handicraft products in India. There are several reasons for this. The first is its long and well established history. According to several sources (e.g. Chatterjee, 1908; Roy, 1999), the industry in Moradabad emerged during the Mughal period in the 17th and 18th centuries. Relevant accounts describe a major centre for minting silver and copper coins as currency during the earlier periods. Today the industry produces both utility-based and decorative items, involving between 2,000 and 3,000 product variations. The second reason is that the industry is almost completely export-oriented. This fact has led to heightened attention towards production and output trends. According to export data made available by the Council for the Export Promotion of Handicrafts (ECPH), art metalware generates the highest value

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3 China’s, on the other hand, constitutes about 18 percent.
4 Before 1994, Moradabad was administered as a district. It was then turned into a city.
5 Several short accounts exist of the production process during this period and up until the turn of the 20th century (e.g. Roy, 1996: 368-369; Bhatnagar, 1981; Chatterjee, 1908: Chapter X).
of exports amongst the constituent sectors of the industry (i.e. 27 percent). Besides contributing to total revenues, it also generates a significant amount of foreign exchange.

In addition, Moradabad is a familiar name because it has often been discussed in the media, due to issues involving child labour. Several studies have been conducted on this dimension of the problem in the industry (Sekar, 2007; Burra, 1989; Wal, 2006). The most well-known include the research output funded by United Nations (UN) agencies. These include the International Labour Organisation (ILO), and United Nations Children's Fund (UNICEF). The United Nations Industrial Development Organisation (UNIDO) has also conducted research in the industry. The focus of the research, however, was not child labour, but technological upgrading and innovation.

The industry can be considered as a significant example of a traditional industry where the factory sector has been taking over at a very slow pace. Like many other industries located in semi-urban areas, the industry has witnessed some form of innovation and technological upgrading. However, this development has been very slow. Furthermore, it has not been a widespread development. Rather, it has taken place in a very fragmented manner, involving only certain production units.

The industry today is still based on a rather traditional chain of production, involving several income categories. The first is the artisan, who transforms raw materials into finished or semi-finished products. In Moradabad, this work is usually carried out with one other worker and one helper. In the case of artisans who own their own workshop, this may lead to the view that the artisan should be conceived not only as a worker, but also as a unit of accumulation. It must, however, be pointed out that the number of artisans who own their own workshops and who employ paid workers at their own expense are very few. The second category includes exporters/dealers. Their role is to manage orders, export finished products, and also in certain cases perform certain finishing activities (e.g. packaging and/or polishing). The third category is factory/workshop owners. Their main function is to provide the means of production to the artisans and workers. The fourth category is the money lenders/financial institutions. Today, banks seem to have increased their stake in the industry. However, many artisans still collect loans from moneylenders. During the interviews it was described as a 'social evil', probably due to the usury aspect. The fifth category that also needs to be included is the foreign buyers and/or foreign retailers. The largest markets of Moradabad-based products are the United States (US) and Europe.

Most of the production is carried out on an order basis. There are several stages to the production process. The first stage involves the exporters/traders obtaining orders, mainly from foreign buyers directly or through the (often Delhi-based) buying agent. After the order is received, the second stage involves starting production. Exporters who own in-house facilities begin production directly. Alternatively, exporters outsource the work to different factory owners in Moradabad. Factory owners, in turn, outsource production to the artisans. Employment in the factory-like establishments is based on a six-month projection. According to government sources, there are about 2,500 factory owners in Moradabad. Out of these, only about 25 units are fully mechanised production units. This shows the extent to which the industry is still largely informal.

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6 This is followed by embroidered and crocheted goods (26 percent), and miscellaneous handicrafts (17 percent), handicrafts, textiles and scarves (15 percent), wood wares (seven percent).
The profit margin of foreign buyers is by far the highest. This is a common situation across many other industries. Income categories that supply more directly to consumers enjoy a better price mark-up. Exporters report a profit margin of between 10 and 30 percent. Factory owners and artisans report profit margins of between 10 and 15 percent.

Values attached to artisan labour

Based on the findings generated from the case study, the decline in the economic status of artisans is made evident by the fact that the artisan incomes are similar to those of unskilled occupations (for example rickshaw pulling or scrap dealing). This is despite substantial increases in output. Export data covering copper-worked articles (the majority of products produced in Moradabad are made of brass) at an all-India level show a constant increase in exports (measured in weight) since 1996-97. Employment has also increased from 1996-97 to the year 2000. It then drops substantially following the economic downturn in Europe and the US (by more than half).

The essential character of the decline in incomes of artisan labour, relative to other occupations, in Moradabad can be attributed to two main factors. The first is directly linked to the volatility displayed by effective demand, which has partly to do with loss of market share to competitors, and partly to do with the decline of demand in export destinations. In the following discussion, we deal with the first issue. The second factor is a decline in the bargaining power of artisans to command a higher share of value addition in the industry. I discuss this second factor in the subsequent section of the paper, where I treat the distribution issue.

The first factor that has negatively affected artisan incomes can be attributed to the loss of market share by Moradabad-based producers. The industry shifted from being predominantly domestic-oriented to increasingly export-oriented during the 1950s (Singh, 1962). While increased competition between units of accumulation at the level of the local economy does not necessarily impair employment prospects for artisans – at least in the short term, since this may be taking place under conditions of general expansion – this does, on the other hand, happen when market shares are lost to foreign competitors. The issue of employment hence emerges as particularly relevant when competition comes from abroad.

In the Moradabad case, the main sources of competition include East Asian countries, particularly China, Taiwan and Korea. The main factors around which competition is generated in the industry are fundamentally two: cost and design.\(^7\) While Moradabad still holds some competitive edge when it comes to design, competition over costs seem to be a losing battle at least for now. Chinese competition has been present for a long time. Chatterjee (1908: 158) mentions Chinese production as a source of competition already at the turn of the 20th century. However, while Chatterjee

\(^7\) A third factor that emerges as significant is freight costs and time of delivery. According to interviewees, freight costs can be up to 20 percent of total costs. India shipments were said to take up to two to three weeks longer to reach western markets than Chinese shipments. China was also said to have lower freight costs.
describes it as only being a 'slight' form of competition, Moradabad-based producers today describe it as 'massive'. Something therefore must have happened since. According to interviewees from the area, the basic explanation for China's ability to produce similar products at a lower cost is government subsidies and more advanced technologies. This includes machinery that in Moradabad is rare, such as die-casting machines, pantographs, milling machines, high-tech plating, scrapping, and polishing machines. The consequence has been an increased rate of productivity in China's production units, which in turn has led to decreased costs in production, given existing profit margin expectations.

Moradabad-based exporters also argue that Chinese manufacturers are misleading customers by mass producing and selling cheap copies of Indian craft (ECPH, 2009: 10). In order to overcome this, patenting, geographical certification, and design centres in the area have been set up. These measures seem to be less effective than cost factors as a means to attract markets, partly due to the fact that tastes are also changing. In addition, while subsidies and technology may indeed be part of the reasons behind the general loss of competitiveness in Moradabad, it must also be noted that the organisation of production in the two areas also plays a role. This is evident when it is observed that, while foreign buyers tend to work through buying agents when sourcing from India, they work directly with the selected producers when sourcing from East Asia. This eliminates the profit margin taken by buying agents in the production and exchange processes in India, which can reach up to 10 percent of the value of the order.

The way in which the loss of markets has been affecting artisans can be summarised in two main points. The first is loss of employment, due to a loss of orders. Exporters in Moradabad record a loss in annual profits of about 30 percent in recent years, as a consequence of a steep decline in orders. This has largely been due to the economic downturn in export destinations. However, the impact of the loss of markets to foreign producers is also an important factor given the degree to which Moradabad based products are specialised. The second is the loss of potential employment generation in the industry. Capital owners have resisted expanding production capacity, largely because of uncertainty over the ability to realise expected profit margins through production activities. In addition, what emerges as particularly evident through participant observation research methods is the extent to which capital is being diverted from production of art metalware to other forms of investment, as profit rates in the industry decline and as the business becomes more competitive (and hence stressful). The situation has emerged where the major owners of capital in the industry (i.e. exporters and larger producers) are choosing to invest in other industries, particularly real estate and services (health and education), rather than production.

It must be noted that investment in production and investment in real estate (or other activities) are not necessarily mutually exclusive. However, the essential outcome of increased uncertainty over the ability to realise expected profit margins is a lack of incentives for capital owners to invest in production. The question is whether the capital being taken out of the art metalware industry in Moradabad and invested in other industries is being impaired from the artisans' point of view. The answer to this question is that it is definitely being impaired from the point of view of artisan labour. This is partly due to the fact that a lot of the capital taken out of the industry is being invested in non-productive activities (such as speculation on real estate). Secondly, if it is being invested in
productive activities, these activities are in industries that artisans cannot access as workers. While capital has a choice to migrate to more profitable investments, artisans do not have the same capacity. Artisans from the area, particularly those who were born and raised in Moradabad, would rarely decide to move. One of the basic reasons is their awareness of their inability to access employment in other industries.

The second factor explaining the decline in real incomes of artisan workers is the decline in the money values attached to artisan skills. This was observed by tracing the way in which foreign buyers market Moradabad-based products in European countries. Findings emerging from participant observation firstly showed that, rather surprisingly, foreign buyers tend to have a very large role in deciding on the designs of the products. Secondly, several items produced in Moradabad were rejected because they looked ‘too Indian’. It was also a priority concern for the foreign buyer that the products did not display signs that the products had been made in India. This attitude is clearly there to protect high-value brand images, which are based on slogans that recall quality production and images of luxury (implicitly generating the idea that the items are produced according to western standards).

These conditions seem to suggest that the artistic skills of artisan labour in the industry are less valued than they were previously.

**Critique of existing policy approaches: the distribution issue**

As already noted in the introduction, artisans emerge as one of the poorest occupational groups in the country. Two competing policy perspectives seem to characterise the approach taken by the government in terms of policy formulation for poverty alleviation amongst this group. On the one hand, the approach is to protect profit margins in the relevant industries by providing facilities to enhance productivity. Targeted policies have been slow to arrive and/or be implemented. However, they seem to have picked up in the last five to six years, during which time incomes in the industry have fallen drastically as a consequence of falling demand. The other perspective finds its roots in the neoliberal framework concerned with enhancing competition amongst producers.

Concerning the first general perspective, the relevant initiatives include the setting up of Special Economic Zones (EPZs) and ‘meta production clusters’ in the area. Another related initiative is the setting up of the Metal Handicrafts Service Centre. The Centre fills the gaps in areas where investment by private entrepreneurs is otherwise lacking. This includes more expensive technology, such as testing facilities, research and development in metal finishing and allied activities, and design. A further example is the so-called ‘Integrated Infrastructure Development Programme’ (Ministry of Textiles, 2009). Quoting from the relevant documents, the objective of this initiative is

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8 Several such clusters have been planned and initiated for handicrafts, one in Moradabad and the other ones in Narasapur in Andhra Pradesh.
9 This is a project costing about Rs. 15 crores. The investment was made by the government of Uttar Pradesh and UNDP (United Nations). It functions under the administrative control of the Development Commissioner (Handicrafts), Ministry of Textiles, Government of India.
10 The production of handicraft products is included under the responsibilities of the Ministry of Textiles.
to ‘overcome the infrastructure bottlenecks existing in the industry’, in order to ‘increase productivity and increase market share’. The purpose is to ‘maintain social equilibrium through raising the living standards of millions of poor artisans’ (Ministry of Textiles, 2009).

On the other hand, the policy framework at the level of the economy as a whole is based on the idea that market pressures should be allowed to operate relatively undisturbed. An example is the ‘non-interference’ policy approach taken by the Reserve Bank of India (RBI) with respect to priority sector lending rates. Under this approach, small-scale units are to be charged at the same interest rate as larger units (NCEUS, 2009: 12.36). Another example has been the removal of certain subsidies in the industry, such as income tax subsidies, as reported by several producers.

By relating these initiatives to the lack of change in the structure of income distribution in the industry, the question emerges as to whether these policies help to address poverty amongst artisans, and if they do, how so. The issue of distribution in this context is particularly interesting, given the move towards economies of scale, as capital resources are concentrated among fewer larger entrepreneurs.

The historical experience of the Moradabad art metalware industry shows that, despite some important moments of expansion (Sekar, 2007), little has changed in terms of the relationship between functional income categories over the way in which net value addition in the industry is distributed. The only main change in the way production is organised has been the transformation of traders into exporters, and the disappearance of artisans as independent producers. As in the past, however, exporters are the income category that realise the largest profit margins in the industry (excluding foreign buyers). In addition, while money lenders or banks charge relatively fixed rates of interest, and raw material providers charge according to market trends, small factory/workshop owners and, even more so, artisans tend to have little bargaining power over terms and conditions of exchange, relative to other functional income groups.

Unlike other industrial contexts, the move of the industry towards factory-like establishments throughout the 20th century did not lead to the establishment of institutionalised means of distribution in favour of the labour income category. This historical fact can be accounted for in numerical terms by the data made available by Roy (1999) and by the State Development Report for UP (Planning Commission, 2005: 143). According to these sources, the number of artisans and factories in 1924 was about 8,000 and 300, respectively. In the 1970s, the ratio between artisans and factory establishments reached 13,500 artisans and over 2,000 factories. In addition, 273 of these firms were large enough to be registered under the Factories Act during this time. A further increase seems to have taken place after the introduction of liberalisation policies in the early 1990s. The government of Uttar Pradesh records 150,000 artisans/workers in the mid-1990s and up to 200,000 artisans/workers in the late 1990s.

This increase in factory establishments signals some level of industrial development in the industry. Nevertheless, the representative power of artisans as a separate category of labour in the industry does not seem to have developed alongside productive forces. Labour in Moradabad is still largely

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11 The Factories Act, 1948, is the most important act regulating labour relations in Indian industry.
unorganised and labour incomes in the area are often scraping the poverty line. Minimum wages per sector in India are established at the state level. In UP, the minimum wages relevant for the art metalware industry are between Rs.100 and Rs.127 per day, as per latest figures. This is equivalent to about £1.40 and £1.70 per day (or $2.3 and $2.8, respectively). Artisan incomes tend to be a little above this. According to those interviewed, the average income for an artisan is between Rs.150 and Rs.200 per day. This is equivalent to about £2.04 and £2.75, respectively (or $3.4 and $4.5 dollars), as per latest exchange rate figures. This needs to be considered in the context of the fact that artisans’ family unit size in the area rarely reaches below five or six members.

Secondly, the findings also show that there is a complete absence of mechanisms linking wage incomes with productivity increases at the level of single firms. Despite an increased level of productivity in certain units, there have been no progressive increases in the real value of labour incomes for workers in those units. The observations collected during field research suggest that, while there is a big difference in size and incomes between production units in the industry, wage rates paid across such units are the same. Hence, whether an artisan or worker is working in a large factory generating 10 crore rupees (one hundred million rupees) or one crore rupees (ten million), he will be earning the same daily wage. The basic reason for this is the absence of strong, independent, and representative unions, which would be able to link wages to productivity. In addition, the lack of mobility of Moradabad-based artisans towards alternative forms of employment, particularly when demand for labour is low, tends to generate added downward pressures on the rates of pay that working artisans can command.

Given the going wage rates, it is clear that a general linkage between artisan incomes and productivity increases should not be automatically assumed. Artisanal incomes, and wage incomes more generally, in a structure of production like Moradabad seem to be related to basic forms of subsistence. These do not tend to include positive developments in the industry from the point of view of incomes, nor the ‘new’ needs generated by new and growing industries in the economy.

This experience signals the first important consideration that policy needs to address. Today the biggest drivers of major changes in the industry are by far the owners of capital. The policy initiatives being called for and undertaken by the Indian government are, as a consequence, largely influenced by the requirements of these particular income categories. The crucial missing link seems to be the promotion of more equitable distributive measures in the industry that would help to ensure that increases in productivity would also benefit artisans’ incomes. Core means to do this include the enforcement of basic labour standards in the industry, as well as wage rates in line with inflation and with the needs generated by new and emerging industries in the economy as a whole. The question that may be launched in response to this analysis is the extent to which this would further impair investment in the industry, by further increasing costs in production. This is considered in the following discussion.
Wider perspective on the condition of artisans as workers

The second main critique that can be launched against existing policy approaches to poverty alleviation amongst artisans is the narrowness of the perspective underlying them.

Based on the analysis of the pressures operating in the industry, it is possible to hypothesise that this approach may not be sufficient to tackle the pressures pushing down artisan incomes in the industry. As trade liberalises further and capital resources in the industry concentrate in the hands of larger entrepreneurs, there is a strong likelihood that, unlike smaller producers who continue operating at a profit, artisans’ and workers’ incomes will not improve unless the mechanisms determining income distribution outcomes change accordingly.

This can be seen by observing what is happening today. Employment in the industry is volatile, and most artisans who are unable to find employment resort to work in the unorganised service sector. Among those interviewed, some artisans and many less skilled workers who are unable to find work in the industry resorted to work as rickshaw pullers or scrap dealers. Work as rickshaw pullers in Moradabad generates on average between Rs.150 and Rs.200 per day. This compares equally to the incomes generated by artisan labour, although the nature of the work is different and arguably more strenuous.

A longer-term perspective on the issue would involve drawing the policy consequences of the transition of artisans from self-employed independent producers to wage workers. One example would be a broader perspective on the possible approaches to poverty alleviation—one that conceptualises the artisan as a citizen and as a consumer, and not only as a worker inextricably linked to the art metalware industry. An example is the creation of quality education and services to enhance the acquisition of transferable skills amongst artisan communities. In Moradabad, an additional dimension that needs to be considered is the fact that, while exporters and factory owners tend to be Hindus, artisans and workers are of Muslim faith. This adds an added dimension to the possible reasons why a shift in policy perspective may be difficult to achieve.

The findings lead to the view that an opening up of alternative employment opportunities by tackling both demand- and supply-side obstacles may be a necessary component to increase the level of welfare, both for future artisans and for those who choose different employment paths altogether. The barriers towards increased mechanisation in the industry are decreasing, both by making some of the least productive producers disappear and through public investment. Competitive pressures are increasing pressures on producers in the industry to increase productivity and competitiveness in order to retain and expand market share. This may involve a further devaluation of the artistic component of the products, and hence the money value attached to the artisan skill. At the same time, those artisans who do not find employment in the larger firms remain in Moradabad in the hope of doing so. This increases the pressures upon artisan incomes in the industry, since employment and terms and conditions are flexible. All this is taking place in the context of fierce competition in other countries, and changing tastes. Under such conditions, it may be necessary

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12 Rs.150 and Rs 200 are equivalent to about £ 2.04 and £2.75, respectively (or $3.4 and $4.5 dollars).
and advisable to begin thinking of a future that, on the one hand, increases the terms and conditions for artisans who stay in the business and, on the other hand, facilitates the move of those who choose to shift to other forms of employment.

**Conclusion: a reformulation of policy and focus**

The objective set out in the introduction of the paper was to answer two questions. The first was to assess the main factors explaining the decline of artisans as a privileged socio-economic group in India. The second question was to discuss the gaps in existing policy approaches to the issue of poverty amongst artisans and working class communities in the area.

These questions emerged out of consideration of the fact that the mechanisms underlying the policy framework being used in India today, which include increasing market access and productivity increases in handicrafts, will not necessarily lead to the elimination of poverty amongst artisans. The main reason is that they fail to address the issue of distribution. Other mechanisms therefore need to be tackled. This is particularly due to the fact that, despite some degree of new productive investment and innovation, artisans and workers have not developed the collective means to capture the benefits of increased productivity, either as workers or as consumers.

Drawing on the findings generated by the study of the art metalware industry in Moradabad, the analysis in the paper highlighted that the relationship between profits and labour incomes in the industry are being shaped by forces that are stronger today than in the past. This includes volatile effective demand. This is due to increased market competition, linked to the ability of foreign-based producers to produce similar products at lower costs. It also includes capital flight, given booming profits in alternative realms of investment, such as (among others) speculation on real estate. Under these conditions, the real incomes accruing to artisans are further depressed. While the structure of distribution seems to be an important factor explaining poverty rates amongst artisans in Moradabad, policy initiatives do not address this issue. This can be considered a fundamental gap in the government’s approach towards poverty alleviation amongst artisans, which needs to be separate from and wider in vision than the immediate interests attached to stock owners in the industry.

A second important aspect that seems to be missing is an emphasis on the empowerment of artisans as workers and also as citizens. The lack of quality employment in local labour markets and a lack of transferable skills are key examples of the need to develop a wider perspective on poverty alleviation amongst artisan communities. Key initiatives in order to widen the options for artisans and their children would involve investing in public education and social services.
Bibliography


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