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# Empowering Communities: Lessons from Tamil Nadu, India

*Isabelle Guérin, Caroline O'Reilly, Marc Roesch, Maria Sathya, and G. Venkatasubramanian*

Millions of workers—men, women, and children—are bonded to their employers in South Asia, working for low or no wages because they are struggling to repay an outstanding debt. The ILO estimates that of the minimum of 12.3 million victims of forced labor globally, 9.49 million are in the Asia-Pacific region, with a high (though unknown) proportion trapped in bonded labor (International Labour Organization 2005). These people tend to come from the poorest and least educated segments of the population, from low castes and religious minorities. Debt bondage is particularly widespread in agriculture but is prevalent also in mining, rice mills, brick kilns, carpets, textiles, domestic work, and other sectors of the informal economy.

In this chapter, we highlight the importance of empowering communities through microfinance-led strategies in order to prevent negative spirals and help people stay free from bonded labor. Our study is based on the findings of an independent impact assessment of an ILO technical cooperation project called Prevention and Elimination of Bonded Labour in South Asia (PEBLISA). This assessment, undertaken in 2006 by the French Institute of Pondicherry,[1] covered the project's chapter in Tamil Nadu, India, but provides insights that are likely to be valid and applicable for other locations.[2] The project was active in Tamil Nadu between early 2003 and mid-2006, after which external financial support ended, and the NGOs continued field activities as far as their own resources would allow.

Our focus here on the microfinance-led, community-based interventions should not be taken in any way, however, to downplay the importance of other measures. Moreover, we argue that although community-based actions are fully legitimate to improve the lot of people vulnerable to bondage, they make sense only if integrated into a broader set of actions that address the underlying structural factors. Here, other measures supported by the ILO include, inter alia, strengthening the enforcement machinery for the Bonded Labour System (Abolition) Act of 1976, awareness-raising of employers in bonded labor–prone sectors about their rights and obligations toward workers, supporting trade unions to integrate bonded labor within their membership and program priorities, undertaking research and documentation, offering policy advice to the state administration, and networking with NGOs and other partners to advocate the cause of bonded laborers and to share knowledge and good practice.

Our conviction, borne out by our own experience and that of other researchers and practitioners, is that a comprehensive approach that addresses the multiple dimensions of bondage is indispensable. Governments, employers, and trade unions all have their roles to play—government, in enforcing labor rights and pursuing effective development and poverty reduction policies; employers, through providing decent work opportunities; and workers, by fulfilling their potential through freely chosen and productive participation in the labor market. The broad parameters of what needs to be put in place are quite clear. But the devil, of course, lies in the details. This chapter is based on the lessons drawn in the course of our experience in Tiruvallur District of Tamil Nadu, where microfinance-led approaches were successful in reducing vulnerability and promoting social empowerment but had very limited impact on job creation. This demonstrates clearly the need for a global approach to promote employment that respects workers' rights and shows that community-based action alone cannot solve the bonded labor problem.

## Learning from Experience

### *Bonded Labor in India*

Bonded labor arises through a complex of interlinked issues. Immediate "triggers," such as health emergencies, religious ceremonies, dowries, food shortages, or sudden loss of a job or an income earner, may oblige an impoverished worker to seek a loan or advance from an employer or labor agent. But underlying structural factors in South Asia can transform an inherently unequal but nonetheless transparent economic transaction into a mechanism of social subordination and control. Discrimination and social exclusion, based on religion, ethnicity, or caste; illiteracy and lack of access to information; employer monopolies on local financial and labor markets; and the dominance of social elites can all conspire to subjugate the interests of one section of the community to those of another. Bondage is a deliberate strategy on the part of employers to ensure a cheap and docile labor force, a strategy that is likely to evolve according to market fluctuations and technological change.[3] "Vulnerability," defined as the limited ability of individuals and households to deal with risk,



tends to push people into bondage. Although it is bad for all workers, women and children are its worst victims—"bondage within bondage" being a prevalent phenomenon (Breman 1996, 2007). Women and children not only represent a large proportion of the labor force but also remain largely invisible.

In India, despite the long-standing legal prohibition of bonded labor (Bonded Labour System [Abolition] Act, promulgated in 1976 and amended in 1985), the practice is still widespread. So-called neobondage mechanisms have largely replaced the traditional forms of long-term attachment of labor servants in feudal agricultural systems (Breman 1996). Neobondage exhibits some striking differences from the bondage of the past. The arrangement tends to be time-bound to a season or fixed period, not indefinite as in the past; the credit-labor contract is exclusively economic, lacking any element of the former social protection provided by the landlord; the contract is most often concluded through a labor intermediary; and migrant laborers are particularly affected (Breman 2007; Breman, Guerin, and Prakash 2009; Lerche 2007; National Commission for Enterprises in the Unorganized Sector 2007; Srivastava 2005).

Although the wage advance is undoubtedly a means of profit extraction by the employer, it can also put a degree of power in the worker's hands. He or she can use it as a means of bargaining between competing employers, and eventually the worker can walk away when a better opportunity arises (see, for example, de Neve [1999] for an analysis of the contradictions inherent in the giving and receiving of advances in the power-loom industry in Tamil Nadu). A wage advance can provide some degree of security, albeit at a very low level, in an environment in which contract enforcement is weak, unemployment rife, and social protection nonexistent.

The persistence and emergence of new forms of bondage are closely related to the increasing precariousness and informalization of labor markets (in India, around 90 percent of the labor force is in the "unorganized" sector) and to massive seasonal labor migration. In a context of chronic underemployment and irregular employment in both agriculture and nonfarm sectors, the bargaining power of workers is zero, and they have little choice but to accept such forms of exploitation.

### *The ILO Strategy*

With the main aim of preventing bonded labor, the ILO designed the PEBLISA technical cooperation project strategy in 2002. Three main types of community-based intervention were identified:

1. *Social empowerment* to help vulnerable community members understand and be able to claim their rights, to help them to organize and federate savings and credit groups (SCGs), and to raise awareness about critical issues such as gender equality, health, and hygiene, reducing

household "unsustainable" expenses, and gaining access to government schemes;
2. *Provision of basic services* such as health care, adult literacy, and non-formal education for children who had dropped out of school to work by the project itself in locations where government services were lacking; and
3. *Economic empowerment,* including skills training, support for income-generating activities, and microfinance services, to help households to diversify and increase their income and hence decrease their dependence on their employer.

Microfinance was considered to be a key intervention for two main reasons. First, since debt bondage occurs because of the loan or advance provided by the employer, the basic premise was that alternative sources of credit, plus savings opportunities, would reduce the employer's monopoly on the local financial market. Credit-supported income-generating activities could also enable poor families to diversify their income sources and thus break the employer's monopoly in the local labor market. Second, for unorganized workers in the informal economy, microfinance serves as a convening forum and "door opener." Savings and credit provide an incentive for workers to meet together, and these groups then offer a vehicle to deliver other services, information, and activities (Daru, Churchill, and Beemsterboer 2005).

Another element in the ILO strategy was to implement some project activities through local NGOs.[4] Although for the most part the relationship was a happy one, some tensions inevitably arose. The role of the NGO fieldworkers had an air of a "mission impossible"—the demands of the project on them were considerably higher than under a more normal scenario. Fieldworkers had complex roles to fulfill, and local people had enormous expectations of them. A major advantage of the project lay in the ability of field staff to respond and adapt to clients' needs and priorities.

Overall, 75 villages were targeted by the project in five blocks of Tiruvallur District.[5] These villages can be categorized into three groups depending on the nature of job opportunities available: those focusing exclusively on "reliable" agriculture (with assured water availability), in which strong dependence on landowners continues to exist that may in some cases be characterized as a "mild" form of bondage; those with a declining agricultural sector, where people increasingly seek nonfarm jobs or farmwork elsewhere and actively seek employer advances that act as a guarantee of employment (however exploitative); and periurban villages where people juggle different work opportunities in a highly competitive environment but are least vulnerable to bondage and most able to adapt to changing labor market conditions. It is in the first and second categories that vulnerability to bondage is highest, primarily in agriculture (a "mild" form of bondage in the case of attached laborers) and rice



mills (severe bondage among the tribal Irular people; see Box 8.1). Brick kilns also have bonded laborers, but these tend to be seasonal migrant workers coming from the southern districts of Tamil Nadu, not the local residents who were targeted by the project in Tiruvallur.

In these villages, the percentage of people who are vulnerable to bonded labor is probably not very high, but targeting only the "most vulnerable" members of the population is simply not practicable, as they are too geographically dispersed.[6] The efficiency of group lending depends in large part on the quality of intragroup relations: previous social ties, based on social but also *spatial* proximity (living in the same street), are key.

**Box 8.1 Bonded Labor in Rice Mills—A Severe Form of Bondage**

According to a study by the French Institute of Pondicherry (Roesch et al. forthcoming), the conditions faced by bonded laborers in some rice mills (more specifically, the drying unit or *nerkalam* using manual labor and located in Tiruvallur District) represent a severe form of bondage. Whole families are affected, often confined in locked sheds. Men, women, elders, and often children have no other choice than to live according to the relentless pace of rice drying under extreme working conditions. Their social exclusion is almost total, all ties to the external world, their family, and their native village being cut. Debt is the central element of bondage, through which labor is manipulated in a relationship of dependency. On recruitment, the owner grants an initial advance and then uses various strategies to maintain and increase the debt, making it impossible to repay. Laborers are paid on a piece-rate basis, but they have no say in their work schedule or workload. Working hours range from 12 to 16 hours per day, sometimes even more, with no day off. The drying is done on a large concrete area in the heat of the sun, resulting in frequent burns and skin problems. Women (including pregnant women) and elders work intensively. Even though some of the children go to school, many are involved in sun drying or have to clean the drying area before the sun rises. They do not work continuously, but they stand in for their parents when they are tired. Employers therefore claim that it is the parents who are responsible.

The workers come mainly from the tribal Irular community, one of the most vulnerable groups in Tamil Nadu. Traditionally, Irulars lived in the forests and specialized in hunting for rats and snakes; collecting honey, beeswax, and medicinal plants; and digging out tree roots. Like many other similar communities, since the 1950s they have gradually obliged to move to the plains and take up other occupations. Most face great difficulties in finding jobs and in broader social integration.

### *The Impact Assessment*

For the ILO, an important aspect of the project was to learn and document lessons about what does and what does not work, based on experimentation and innovation, for preventing debt bondage among a highly vulnerable target group. This necessarily involves "failure" as well as "success" stories. Hence, many surveys and research and assessment studies were implemented over the duration of the project. One such study was the independent impact assessment undertaken in 2006 by the French Institute of Pondicherry.

As the aim of the project was the prevention of bonded labor, the study did not aim to document a reduction in the number of bonded laborers. Rather, it was based on qualitative and quantitative analysis that aimed to capture the combination of economic and social dimensions of vulnerability to debt bondage and to understand the dynamic aspect of impact, that is, the process in operation. Not all positive impacts necessarily result in an absolute improvement in the situation; they may instead stabilize or slow down a negative trend or spiral.

In a first stage, qualitative methods were used to build up an understanding of the project's socioeconomic context. Four aspects were analyzed in detail: the local labor market, the local financial market, the local power structure, and both gender discrimination and caste discrimination. Six representative villages were selected for in-depth qualitative analysis of the activity's impact in its different fields of intervention. A detailed monograph was prepared on each village. Semistructured interviews were held with individual men and women, with key informants and discussion groups at the village level, and with the staff of the NGOs. No claim is made to be statistically representative; rather the aim was to grasp diversity. All in all, around 150 qualitative interviews were held, including 30 in-depth interviews (life histories) for which researchers sometimes met with respondents twice or even three times.

Quantitative analysis was undertaken in a second stage. A baseline survey done in 2004 by the NGOs made it possible to have a longitudinal analysis, comparing the clients' situation in 2004 and 2006. The baseline survey undertaken by the NGOs revealed the basic characteristics of the "target" population. It showed that the villagers concerned work mostly in agriculture, as casual day laborers (coolies), or on leased land. A minority work in fishing, brick kilns, rice mills, embroidery, and other informal activities. Three-quarters work for daily wages; reported annual average household income was 10,000 rupees or about US$240. Three-quarters of the families belong to the Scheduled Castes and 17 percent to the Scheduled Tribes. Two-thirds did not have a community certificate, which is a requirement to access government welfare schemes. Ninety-one percent were Hindu and nearly 9 percent Christian. Twelve percent were migrant families, who had moved for marriage or employment opportunities close to Chennai. Around three-quarters had title deeds for their homes, the majority of which were *kacha* huts. Regarding education status, 42 percent of family members had no education, and 19 percent had primary-level schooling.



In 2006, given constraints on time and the difficulty of gathering reliable income and other data from poor households, the decision was taken together with the NGOs to focus on questions of indebtedness and assets, the two criteria considered key to an assessment of economic empowerment. Four hundred households were chosen randomly in the six villages, and questionnaire-based interviews were conducted by NGO staff. Again, the study does not claim to have covered the entirety of activities or impacts, but a reasoned selection. The rest of this chapter presents some key findings of this qualitative and quantitative assessment.

## Selected Impacts: Empirical Evidence and Analysis

### *A Significant Reduction in Vulnerability: Household Debts and Assets*

As explained above, we focused our quantitative analysis on two key indicators of household economic status: indebtedness and assets. The overall picture that emerged was, first, that as a result of the ILO microfinance-led strategy, households had increased their debts but had improved the "quality" of the debt; and second, they had increased their assets, leading to a reduction in vulnerability. Indebtedness, particularly to employers, is of course a particular concern of the project. At the same time, microfinance also raises some questions: would it not be considered perverse for a project that aims to reduce vulnerability to debt bondage to increase the debt burden of its clients by offering them credit?

In this respect, it is important to underline at the outset that chronic indebtedness is a fact of life for the people in Tamil Nadu; credit is their means to cover the mismatch between their low, irregular income and essential expenses that cannot be deferred. All the families targeted by the project are permanently indebted,[7] in different, mainly informal, ways, including advances from employers (see Box 8.2). Families juggle permanently with a multiplicity of credit sources, depending on their needs and what is available. It is not uncommon for a high-interest loan to be repaid by another loan at a lower rate, or simply by another loan taken out when the first creditor claims his or her due.

By contrast, cash savings are almost nonexistent: families struggle to make ends meet, let alone save, given their insufficient and irregular incomes. The most widespread forms of savings are in gold, which is easily converted into cash when the need arises, and through *chit* funds used to finance specific events, to invest, or even to repay debts. Being constantly under pressure to spend by the family and wider social circle, women in particular seek out ways that will

**Box 8.2 Advances from Employers**

In regard to advances from employers, great variation exists in terms of price (interest rate), duration, and mode of repayment. Repayment in the form of daily labor is still frequent and sometimes involves an arrangement without pay for a certain period (sometimes fixed in the beginning, sometimes not). The borrower does not necessarily work full-time but has to be available whenever his creditor needs him. Sometimes the repayment is mixed; part monetary, part in the form of working days (calculated either at the going casual labor rate or a discounted rate, the difference corresponding to the cost of the loan). Whatever the conditions of the loan, two elements seem to recur frequently: (1) the debtor—or someone from his family—is at the disposal of the creditor; he can work elsewhere but has to be available on the day that the creditor needs him; and (2) there is no clear "contract."

It is difficult to assess the cost of this type of loan objectively. Quite often, the concerned individuals themselves do not know the exact conditions, including how much has been repaid (as they keep no accounts). Furthermore, it is difficult to distinguish the "cost" from all the connections linking the family of the creditor and the debtor. For example, certain "advantageous" loan conditions are in fact a means of compensating for a delay in wage payment by the creditor-employer. Finally, it should be noted that a number of families who have access to this form of loan consider it a privilege: it is sometimes the only way for them to obtain such an amount; they prefer to offer their labor as security rather than their house or land; and finally it is also a means of staying "connected" with a potential employer. This last point is probably key: the link between the labor and credit markets is undoubtedly a source of servitude, but in a context of large-scale unemployment, the population perceives it also as an advantage.

*force* them to save. But more generally, there is a tendency among people to prefer to see their money circulate, rather than its being "immobilized" and not put to use. They are more used to managing their household expenses through credit than through savings.

The project aimed at reducing people's vulnerability to bonded labor by improving their situation in terms of indebtedness and assets. Women's SCGs established under PEBLISA offered four main types of financial products and services: (1) weekly (sometimes monthly) savings mobilization with amounts that are uniform and fixed by the group itself (most of the time, 10 rupees per week); (2) individual voluntary savings, in a locked "dump box" kept at home; (3) internal loans coming from the group's collected savings (on average 5,000 to 6,000 rupees per year); and (4) external loans from various sources: banks, project funds, governmental schemes.[8] What were the results of these schemes?



With respect to debts, total household indebtedness increased over the two-year period, by 19 percent among the clients of one of the NGOs and by 50 percent among the clients of the other (which had better access to bank loans). But the internal structure of the debt showed significant changes. Both bank loans and internal SCG loans increased substantially, representing the main source of increased debt, whereas the share and amount of moneylender debt decreased in parallel (in part, repaid by the "project" loans).

As the number of financial opportunities increased—6 or 7 different sources of credit as against 3 or 4 before the project—this enabled households to choose those best adapted to their needs and to combine various sources of credit. But as project loans (in their amount, time of availability, and duration) rarely match exactly the demand, people still have to juggle with multiple sources. As the amounts are limited to 5,000 rupees for SCG and 10,000 rupees for bank loans, whenever larger sums are needed, moneylenders or other sources (relatives, pawnbrokers, employers) continue to be sought out. One of the other advantages of informal sources, even given their higher cost, is their flexibility: the repayment schedule is the result of a negotiation process between lender and borrower and can evolve over time if the client has trouble repaying. Frequency of interest payments is also quite flexible, as is the date of repayment of the capital, usually expected as a lump sum. By contrast, "normal" bank and SCG loans tend to have fixed terms and repayment schedules, even though efforts were made in the project to adjust these to borrowers' repayment possibilities and to find an appropriate balance between flexibility and repayment discipline.

The individual voluntary "dump box" savings perhaps deserve a special mention. It represents an adaptation of a traditional practice of keeping savings in a clay pot at home, which had to be broken to access the cash. The locked metal "dump box," which is opened each week so as to hand over the savings at the SCG meeting, balances liquidity and security; money can be conveniently deposited each day (and by any household member) and easily accessed. The product was positively received in all villages, particularly in the early stages of the project, when it was seen to increase household savings by as much as 200 percent over previous weekly savings. Subsequently, the amounts dropped off, but it was still a valued addition to the range of products on offer. Interviews reveal that clients see the savings primarily as a way to get a loan from the SCG, rather than as savings in a true sense (to use in an emergency or to buy a particular item). This is still a positive result, reducing the pressure on women to borrow in order to meet their SCG contributions, something which is often seen in other projects.

Turning to household assets, these have increased in value over the two-year period for clients of both NGOs, by 33 percent and 73 percent respectively. Televisions, cows, gold jewelry and coins, and bicycles are the most commonly held assets. In value terms, gold represents the main form of assets (60 percent of the total value) and the main source of increase, in large part owing to an increase in the gold price (by 60 percent from 2004 to 2006) and less because of an increase in the weight of gold assets per household. The increase in assets is not correlated with household indebtedness; households have not necessarily borrowed in order to purchase assets (although clearly in some cases, like cows, they do). And fewer than 10 percent have sold assets in order to reduce their debt. So we can conclude that for most clients the increase in assets translates into a reduction in vulnerability. An analysis of the debt/asset ratio at household level again shows considerable variation between households but with a significant proportion (40 percent and 63 percent for the two NGOs) improving their situation—moving from a negative to a positive ratio (i.e., asset value is greater than outstanding debts). Unfortunately, for a minority (14 percent and 9 percent) the situation worsened.

As we have seen, the positive "asset" results hinge largely on the increase in gold value in recent years. Whether such a trend will continue in the future is a moot point and calls into question the sustainability and robustness of this impact. In general, gold appears to be a key element in the household's financial strategy, representing a major part of total assets (50 percent and 64 percent of total value for the two NGOs).[9] A large portion of loans is partly or entirely used to buy gold, as an "intermediate good" that can subsequently be pledged to obtain cash to finance other needs. There are various reasons why people buy gold. It is secure, can be easily converted into cash when needs arise, and is also a means of accessing additional loans through pledging.

When the clients are offered a loan through the project, they might not have an immediate need for cash at that time but know that they may have such a need in the future, when credit might no longer be available. So they take the loan and buy assets (especially gold) for future use; it thus becomes a form of "forced savings." In order to repay the debt incurred, they must develop strategies to increase income in the short term, for example, through increasing their own paid labor and that of family elders, seasonal migration, or reduced consumption. Gold is also acquired through a prepayment system, also a form of savings: regular installments are paid, on completion of which a piece of jewelry is received, its value being that of the installments paid plus the interest due.

Even though the analysis of debt and assets has demonstrated positive average trends, it has also demonstrated that there are wide variations between households in their financial management strategies and outcomes. For some households the impact of the project has been *accumulation.* These households were able to juggle different activities and take risks. They enjoy the support of kin and social capital to cope with crises if they arise. A possibility of accumulation exists, and the project has assisted in this process. Project impact is usually more social (reduction of unsustainable expenses, education of children, empowerment of women) than economic or financial. These are not the "bottom poor," but it is unavoidable that such households should form part of the client group, given the geographic dispersal of the poorest. For other households the impact has been stabilization. For these households, PEBLISA assisted them in breaking out of a preexisting vicious cycle of debt, slowing or reversing a downward spiral.



Results for other households were less positive. *At-risk households with preexisting vulnerability* are households that are highly vulnerable owing to suffering successive shocks (such as large health-related expenses or crop or livestock failure). For some of these households, the situation has somewhat improved with project assistance. For a minority, the project may have had a perverse impact by encouraging the clients to take on additional risks that they could ill afford.

Overall, the vulnerability of a household often depends on a combination of factors, among which we can distinguish those relating to the household's profile and those related to the main risks they face. For the household profile, we found that the financial situation (debt burden and composition, and the ratio with assets), the economic situation (income amount, diversity, and regularity), the human and social capital (income-earning members; support from relatives, friends, or employers), and psychological factors (previous experience with debt, ability to plan, geographical horizons) are important in influencing individual outcomes. The main sources of risk and uncertainty are those related to health, loss of a job, life-cycle expenses, and risky investments.

### *Social Empowerment: Gender Equality and Men's Role*

A main objective of PEBLISA was to promote gender equality at the household level as one way to promote better financial management, and more generally to promote women's empowerment in social and community life. In-depth interviews and observation with women and men reveal positive effects of the project, but these are necessarily slow and quite limited so far, taking into account the weight of hierarchies and existing unfavorable social norms for women. The main positive impacts are seen in terms of *awareness* (for women but also for men) and in terms of *decisionmaking.* To appreciate fully the significance of the changes observed, it is important to understand the extent and nature of control over women in the "normal" Indian context (see Box 8.3).

Regarding awareness, it is apparent that women have benefited in many ways through their participation and exposure through PEBLISA. They speak of having acquired a sense of boldness, self-confidence, and ability to manage; an awareness that it is possible to conduct activities other than agriculture; an enhanced exposure to the outside world and ability to move beyond the confines of the house and village; and a recognition that women can demand their

**Box 8.3 The Situation of the Women: Control and Social Pressure**

The Indian woman, whatever the context (except perhaps in certain tribes), assumes to a great extent the responsibility for the *social prestige* of the family, the social group, or even of the community through food preparation, religious rituals, and sexuality. *Grosso modo*, restrictions on women, are more marked in the higher castes; some women do not hesitate to say that they are "better off" because they are low caste. Among the Scheduled Castes (SC), the legitimacy of women's involvement in public affairs has undoubtedly been reinforced by the political strengthening of the SC, which is particularly marked in Tiruvallur District. Nonetheless, female behavior within the PEBLISA clientele remains closely controlled. The concern about women's relations with men outside the family is used to justify restrictions on women's mobility. The smallest trip necessarily raises suspicion: a woman is allowed to go out only if she intends to avoid any male contact. Frequently the outing is only allowed in the presence of a trustworthy person, guaranteeing respect for the rules. On her return she is often questioned on every move and person encountered. This suspicion is permanent and omnipresent and plays a large part in discussions and internal family conflicts, many women being constantly obliged to justify themselves. A woman who does not follow the rules of purity is immediately branded as a prostitute.

Inside the family, female behavior has to conform to modesty and discretion, and obedience to the husband and the in-laws is the rule. Young women endure much more control than the older ones. "Gossips" are much criticized, in the family circle as well as outside. On the other hand, a man is expected to control his wife and to submit himself to the opinion of his parents, rather than his wife. As a sign of their submission, women should not mention the names of their husbands and should use the "second person" form of address, remain standing when they serve them, and so on. Men and women both insist on female morality, questions of which are at the core of discussions in the villages. For their part, men are judged in part on their capacity to "control" their wives. Alcohol consumption is also an element of male virility. Any "deviant" behavior by his wife therefore puts a man's own pride and status in question. Women do not hesitate to mock the men who are weak, impotent, or submissive to their wives.

At the level of the local community, women are sometimes the first to judge and accuse each other of not respecting "morality." It is, in fact, an easy and effective argument used to punish women for a completely unrelated matter, to seek revenge for some action, or to settle jealousy problems. Finally, we must emphasize the disastrous consequences of a bad reputation: in a context of strong endogamy, the reputation of the women conditions, in part, the future marriage prospects of other family members.



rights, including within their own family (even if with some difficulty), and that contact with men is not necessarily a source of impurity and moral degeneration. Many women, mainly leaders of SCGs, now interact directly with male government officials, bankers, and others in authority, a situation that was previously unheard of. Such direct access for low castes, and particularly for low-caste *women*, reduces transaction costs and increases their sense of personal pride and capability as opposed to the feeling of dependence resulting from the use of intermediaries.

Women also participate much more actively in decisionmaking in areas usually devoted to men (such as financial management, marriage, family functions), and for their part, men increasingly engage in areas usually devoted to women (education and health care of the children, family planning).

Financial management is a source of permanent tension and conflict between men and women but also between women and their in-laws. When there is no consensus on how resources should be spent, the pooling system goes hand in hand with individual hidden practices by women (*chit* funds, informal loans, savings box, or gold coins at home) to fulfill their own needs (to buy jewelry, saris, sweets for the children) and to curtail the excessive expenses of their husbands. Men enjoy much greater freedom to spend as they please, keeping aside part of their income for private use or secretly borrowing large amounts of money without the knowledge of their wives.

The PEBLISA project has had some tangible impacts on household financial management. Among the women who previously had no say in financial decisions, some are now recognized as full-fledged household members entitled to take part in such decisionmaking. Others were initially used as "puppets": they had been sent to the SCG by their husbands or their mothers-in-law but were expected to do exactly what they had been told (how much to save, how much to borrow, etc.). Even in such cases, there were some positive developments, with women increasingly asserting their own wishes.

For those women who were already involved in the household financial management, we observed two main impacts. First, managing scarce resources is a real challenge and a permanent source of stress (in case of shortfalls, they are likely to be blamed). An additional source of cash from SCG loans could ease the daily pressure they face. Second, financial transactions tend to become more transparent within the household, largely as a result of men's involvement in men's groups. Some men have realized that it is better to avoid individual decisions that might threaten the balance in the household budget. Women could also use the project loans as a bargaining chip, offering to share the loan on condition that their husbands stop their secret borrowing.

But of course women's empowerment is neither a fast nor a linear process, as recognized by one project client: "Before PEBLISA, I was in a dark room without windows; now, I can see the light of the outside world because I have some windows, but they are still very narrow and don't let me go out."

It is a risky process that implies numerous conflicts and compromises along the way: "The SCG solves some problems, but it creates others," in the words of another SCG member. This is normal and inevitable and not a sign of failure; any multidimensional empowerment process can be expected to have setbacks along the way, which themselves indicate that a real change in power relations is occurring. It is necessary, however, to be aware of these risks, to monitor them continuously, and to attempt to mitigate them as far as possible.

Tensions and conflicts arise at different levels. Within the household, women SCG members can be criticized by both their husbands and in-laws for a variety of reasons: their increased mobility, spending less time on household tasks, and discussing "private" matters in public. The SCG can become a scapegoat used by husbands to blame their wives whenever something goes wrong. Tensions arise also between group members, relating, for example, to repayment problems or to the selection of who will benefit from loans. Internal conflicts can beset the women themselves when they feel torn between their family and group obligations, between the culture of confidence promoted by the project and the submission expected by the community, and between the expectations of the group and those of their husbands.

The situation of the women's group leaders deserves particular note. Their role is an ambiguous one—undoubtedly entailing advantages, but necessarily accompanied by difficulties. Being a leader is rarely a consequence of a deliberate personal choice: most of the leaders become so gradually, encouraged by their peers and the NGO staff because of their dynamism, charisma, reputation, confidence, and skills. For many women, being a leader is a source of pleasure, satisfaction, pride, and social recognition. At the same time, the intensity of responsibilities is a burden. They are torn between the members' claims, the conditions imposed by the NGO, and criticism by their husbands and in-laws and by group members. There are several cases of leaders who resigned, having been forced by their in-laws or because they could not cope with the continual criticism; there are many more, however, who have flourished in their newfound role.

To sum up, again we must emphasize the diversity of women's situations, conditioned in part by their age (women of reproductive age are considered "impure" and most vulnerable), in part by the degree of conservatism in the individual village, in part by women's own personalities and life experiences. The project has enlarged the frame within which women can bargain and negotiate their own position at the level of the household as well as at the level of the community. It helps to give an official character to some practices that were previously done in secret. At the same time, participation in SCGs is a question of compromise: to be allowed to participate, some women must accept additional responsibilities, imposed either by the husbands and the in-laws or self-imposed. And, of course, the diversity of male behavior must also be mentioned. Although some men refuse outright to modify any aspect of their lives, others encourage their wives, giving them active support in their economic projects or leadership role.



### *Collective Action and Political Empowerment*

PEBLISA promoted collective action in pursuit of specific aims (improved services, conflict resolution, etc.) but also as an end in itself (so as to enhance clients' long-term capacity to claim their rights and build social capital). Collective action took place in two-thirds of the villages targeted (52 villages out of 75), where usually two or three actions have been taken simultaneously. Actions targeted the establishment or maintenance of basic amenities and common goods, such as streetlights, drinking water, or toilets; gaining access to government facilities or schemes, such as ration cards, caste certificates, or house loans; and fighting illegal activities and discrimination, such as sand extraction, wage inequality, and intercaste conflicts.

The main impact consisted of better access to public amenities and schemes, without necessarily improving the functioning of those services (such as schools or hospitals)—which is only to be expected, given PEBLISA's focus on empowering community members to claim their rights. With project support, clients have started to develop the skills (technical and social) needed to better access public services, a process that is normally time-consuming and costly. On the other hand, the project did directly improve the functioning of a number of common facilities at the village level, especially drinking water, streetlights, and roads. This was achieved through a combination of better access to information, bargaining with authorities, and monitoring to ensure better quality, for example of construction materials used in houses or roads. The strength of the SCGs for this type of collective action was greatly enhanced by their federation at various levels—within individual villages into *grama sangam*– or *panchayat*-level federations, and again at the union level. Success depends in large part on the ability of the groups to convince local leaders of their legitimacy in the local political arena.

In some cases (14 percent of all the collective actions undertaken), the women, sometimes with men's support, successfully challenged certain forms of discrimination. One example was the bargaining for higher daily wages from local landowners in Pennalpurpet village, in which the upper caste is extremely dominant; the higher wages then spread to neighboring villages. In another village, Mettupalayam, the SCGs succeeded in bringing a stop to long-standing illegal quarrying of sand at the margins of the village, which was threatening village land and homes alike. A final example is that of the village of Bangarampet, in which the women's SCG was supported to lobby the *gram panchayat* for the release of their menfolk from bondage in a local rice mill. Nineteen workers were released and have since set up their own rice mill, with government and project support. This kind of action is less common than taking up the issue of basic amenities for a very simple reason: it is much more difficult to succeed insofar as it challenges local power structures and therefore necessarily encounters resistance and opposition from local elites.

The success of collective action varies from one village to the next. Several factors can explain such differences: the nature of the services to be claimed or the problems to be solved (some are intrinsically easier to tackle than others); SCG influence at the village level, linked to the local power structure, whether more or less concentrated, more or less conservative; the presence and attitude of "men's support groups" (to which we return below); group dynamism, influenced heavily by the leader; and the support provided by the NGO staff, who play a key and extremely complex role.

Men's support groups were an innovation introduced by the project in its second phase, in response to the realization that in order to be successful, the project needed the "buy-in" and support of male community members. Thus far, the focus had been almost exclusively on women in the community-based interventions. The objectives were twofold: (1) to improve gender relations and strengthen collective action at the community level; and (2) to promote individual savings by men, particularly "contractual" savings directed at a specific purpose such as house construction or marriage. Members were recruited on a voluntary basis among the husbands (or sons or fathers) of SCG members. Some notable positive results have been observed: a heightened awareness of gender inequalities, reduced suspicions and criticisms of SCG activities and women's mobility, better intrahousehold cooperation for savings and loan repayments, and men's support for collective action and strengthened solidarity at community level. In general, men start to appreciate better what the SCG is all about and feel better informed and involved. Some villages have reported a reduction in men's alcohol consumption and domestic violence.

But it is clear that many challenges remain, and NGO staff report that it is often an uphill struggle to sustain the groups; indeed, some MSGs have been discontinued. For example, the men are less ready than women to listen to others and to each other and their leaders, they attach less importance to the group meetings, and members are often absent either because they are migrant laborers or because they are not prepared to sacrifice part of their evenings for attending meetings. There is a permanent expectation from men that they too should receive loans and a greater degree of support from NGO staff; some perceive participation in men's groups as a sign of "weakness"; and there can be discrepancies between men's public affirmation of support for women's activities and their private opposition to them. The very notion of a "men's support group" runs counter to male identity in a patriarchal society, in which women are supposed to follow and obey men.



### *Limited Impact on Household Income and Employment*

One of the project's objectives was to develop income-generating activities through the promotion of livelihood opportunities, vocational skills training, and market studies and linkages. This implied both reinforcing existing household economic activities (animal husbandry, milk production, and marketing) and introducing new activities.

In practice, income diversification was a real challenge, however, and most project loans (around 80 percent) were used for so-called nonproductive purposes that do not directly generate income. This proportion did not change significantly over the project lifetime, though there was a slight increase in "productive" loans in the final year, to 25 percent. Among "nonproductive" purposes, loan repayment (26 percent), medical expenses (19 percent), and purchase of household items (14 percent) were most common in 2006. Such loans are of course still valuable to the household's well-being—not only do they improve daily life, but they can also generate income *indirectly* through reducing the cost of debt servicing (by substituting debt on "good" terms for debt on "bad" terms) and increasing labor productivity (by improving health status). Expenses of social ceremonies, frequently blamed for bondage, also have their positive role to play, by enhancing a family's social capital through gift and countergift exchanges. But as such loans do not generate the cash required for their reimbursement, they should be treated with caution, especially among the poorest. It is usually said that microcredit is initially used for "nonproductive" purposes, and only later, once households' vulnerability has been reduced, are they able to invest "productively."

We have seen above that most households depend on agriculture for a living, but many are involved out of necessity in nonfarm activities to supplement their income. Even though work as a coolie is low paid and irregular, it has two main advantages: first, wages are fixed and known in advance and, when paid on a piece rate, daily wages can be increased by working fast; and second, the work lasts generally from 7 a.m. to 2 or 3 p.m., allowing time for additional household activities or tending animals or land, once the "regular" working day is over. For most people, it is very difficult to imagine doing anything other than agricultural coolie work: the obstacle is as much psychological and social (a lack of confidence in their ability to do something else, coupled with a personal identity rooted in agricultural "values") as technical or financial. Self-employment is rare, the main reason being an aversion to assuming any additional risk, given most households' heavy indebtedness and financial precariousness. In most cases, diversification out of agriculture happens only when there is simply no alternative; and this is easier when the village is close to a main road or to urban centers.

Nonetheless, a minority of project clients were able to start a small business in the nonfarm sector, including petty shops, tailoring, embroidery, and fish selling. But many occupations observed in 2004 had discontinued by 2006, demonstrating the fragility of such enterprises. For example, petty shops, the most popular business, were analyzed in detail. They consist of stalls located at home or in a small cabin that sell small quantities of essential items such as oil, rice, matches, cigarettes, and soap. Profit margins were on average 5 percent, meaning a daily net income of 5–15 rupees. The most common causes of failure were difficulty in recovering credit offered to customers and excessive competition in a saturated market.

Some project loans were used for investment in agriculture on leased land. The PEBLISA loan can substitute for other less favorable loans taken from cooperatives, seed suppliers, or landowners and can dramatically improve enterprise profitability. Crop production remains highly risky, however, especially for small farmers, and losses are rather frequent. Other clients prefer to invest in livestock, mainly cows, followed by goats. But here again, a close analysis of the profitability of breeding activities shows that, for cows, four or five years are needed to generate an income and, as people themselves say, "the profit is the calf." For goats, the activity becomes profitable after three years. In the short term, earnings do not offset the costs incurred; other sources of income are needed to repay the loan, which has to be subsidized or rescheduled.

Depending on a combination of factors particular to the household (such as previous experience in animal breeding, access to markets, milk price, availability of "free" family labor, crop residues for feed, and so on), livestock can variously be a good source of income, a second income, only an asset, or a source of indebtedness and decapitalization. We assessed that, for most PEBLISA households, livestock were "only" an asset and some had to borrow further in order to repay SCG or bank loans. But such results should not shock, given the poverty of the client group, and similar findings reported from elsewhere.[10] Asset formation is itself a positive result, as it can increase household security. Neither is profitability the only objective for women: they value the milk they can give their children, the social prestige of ownership, and the prospect of selling a male calf in the future (if indeed they succeed in keeping the animals alive). Yet the need for caution when offering livestock loans to poor households is clear if perverse impacts are to be avoided.

In terms of job creation, then, the lesson is that it is simply illusory to expect many poor people to transform themselves into microentrepreneurs or to expect microfinance to solve underemployment, one of the root causes of bondage. Apart from individual resistance to self-employment in the nonfarm sector, the hierarchical and monopolistic functioning of local product markets, combined with their limited size, makes it impossible for microfinance to generate jobs on any significant scale.



## Conclusion

The ILO PEBLISA project has generated some valuable lessons about what works, and does not work, at the community level in preventing people from falling into debt traps from which they cannot escape. In short, microfinance-led strategies *do* indeed have a role to play in reducing vulnerability to bondage but must be "handled with care." In Tamil Nadu, they have contributed to reducing people's overall vulnerability by improving the quality of household debt, increasing the value of assets (even though this is partly owing to the increase in gold value over the project period), and promoting empowerment at different levels: individual, gender, collective, and political.

The chapter also illustrates the complexity of implementing effective interventions for the benefit of people vulnerable to falling into bonded labor. It shows in particular the limitations of microcredit in terms of job creation. This is not due to shortcomings in the microfinance service provision itself but rather because the credit is too often used to finance activities that are unprofitable or uncompetitive or for which there is insufficient market demand. Unanticipated negative impacts were also encountered for the 10 percent of the clients who ended up being more vulnerable than at the start of the project.

Some quite specific recommendations for future interventions can be made on the basis of the assessment. Regarding economic empowerment, there is a need for even greater flexibility in project loans (terms of disbursal and repayment) to limit the need for clients to resort to "bad debt" (moneylender loans with excessive or cumulative interest rates, interlinked contracts, and implicit obligations fixed by employers); specific savings products based on gold might be introduced; training and marketing support could be intensified for nonfarm occupations, based specifically on local socioeconomic opportunities; and additional efforts could be made to strengthen risk management, for example, through crop and cattle insurance and by providing clients with fuller information on the "downsides" of taking loans for income-generating activities. Though costly, it might also be possible to devise a system to categorize households in terms of their profile (human and physical assets) and exposure to risk and uncertainty (marriage, migration, investment) and to tailor financial products to suit their respective circumstances.

On the social empowerment front, certainly more time is needed for initial gains to become firmly embedded. Some suggestions for the future are to monitor tensions and conflicts (at group, household, community levels) and seek ways to proactively address or reduce them; to involve in-laws as well as men in awareness-raising programs; to take into account and compensate for the costs of group leadership; to increase men's participation in economic activities (including loans) while guarding against the risk of their "hijacking" project benefits; to improve the articulation with local authorities and leaders, who may already or soon start to feel threatened by the rise of the SCGs; and last, but by no means least, to find ways to better reward NGO and project staff for the invaluable and difficult role they play.

Broader challenges of course remain for the government of India and for the ILO. Conditions in Tiruvallur represent a minute fraction only of the bigger Indian, and indeed South Asian, context in all its diversity and complexity. Given their very limited impact in terms of job creation, actions described in this chapter must be combined with broader action to promote labor standards and jobs through a "high road" development strategy (based on enhancing productivity, wages, and demand), together with employment generation in rural areas through such measures as land reform, infrastructure development, and industrial decentralization.[11] This is in contrast to the "low road" (low wages–low productivity–poor technology) strategy into which much of Indian industry is seemingly currently locked (Srivastava 2007).

A recent report of the National Commission for Enterprises in the Unorganised Sector (2007) indeed calls for a "holistic approach" that combines comprehensive legislation for regulation of minimum conditions of work in the unorganized sector (both agricultural and nonagricultural) with measures to improve the situation of marginal and small farmers, stimulate the growth of the nonfarm sector, and expand job creation and employability. Let us hope these recommendations are heeded. But such actions necessarily need time to take effect. In the meantime, reducing the vulnerability of the poor, through the types of interventions tested by PEBLISA, becomes all the more important.

## Notes

Isabelle Guérin, Marc Roesch, and G. Venkatasubramanian are researchers from the French Institute of Pondichéry, of the French Ministry of Foreign Affairs. The center conducts research, training, and advisory activities in South and Southeast Asia (see www.ifpindia.org).

1. The impact assessment was funded by a grant from the Fonds Fiduciaire of the French Ministry of Foreign Affairs. The final report of the impact assessment will appear as a working paper of the ILO Declaration Programme (Roesch et al. forthcoming).

2. PEBLISA (Nepal, India, and Pakistan chapters) was subject to an overall final evaluation and impact assessment in early 2006. For a summary of main findings, see Premchander et al. (2006). The study by the French Institute of Pondichéry was conducted over a longer time frame and provided more detailed quantitative and qualitative data and analysis than the other impact studies.

3. See, for instance, Engelshoven (1999) for the Surat diamond industry, De Neve (2005) for the weaving sector.

4. In Tiruvallur District, the NGOs were Integrated Rural Community Development Society (IRCDS) and Madras Social Service Society (MSSS).

5. The blocks are Poondi, Kadambathur, and Tiruvallur (covered by IRCDS) and Villivakkam and Ellapuram (covered by MSSS). The project beneficiary households numbered 2,320 within "model clusters" receiving intensive support from the NGOs, and an additional 850 households in "mainstream" areas receiving normal levels of NGO support.



6. In an earlier phase, PEBLISA attempted the development of a Vulnerability to Debt Bondage Index, to identify and then target the most vulnerable households. In practice, the tool/methodology in its initial form proved too unwieldy and complex to apply.

7. According to data from the National Sample Survey Organisation, Tamil Nadu is one of the states in which farmers are the most indebted in India: the rate is 74.5 percent as opposed to 48.6 percent for all of India (National Sample Survey Organisation 2005, quoted in Rath 2005).

8. Microinsurance products were also provided but were not covered in the impact assessment.

9. It is interesting to note that this finding of the impact assessment was at odds with the perception of the NGO implementing partners, who did not consider gold to be a significant part of household savings strategies.

10. See, for example, BLESS (2006).

11. As suggested by Mahajan (2007), if we are to consider economic growth, microfinance must become part of livelihood finance—a framework that includes financial services, agriculture, business development services, and institutional development.

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