

MAYA ORGANIC

An Institutional Model
to address problems of the working poor
in the Informal Economy



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OVERALL Scenario

A large part of the workforce in India and in many parts of the world belong to the informal sector and with the shrinking of the formal sector, it seems vital to address livelihood conditions of workers in the informal sectors. Especially in an economy where the supply of labour is greater than its demand, the workers often remain in exploitative conditions of low earnings and poor bargaining power. Further, increased competition between developing countries and between manufacturing firms has led to deterioration in stable business relationships giving way to short term business approaches, implying small bidders and small enterprises acting at the whim of the market. Businesses have increasingly moved into contractual mode of working where many processes are outsourced to the informal sector. While it seemingly provides an opportunity for work, it is also unstable and short term. This makes it difficult for workers to develop skills and for such businesses to become stable and viable. These small businesses make low investments in human resources and technology rendering the work irregular and income insecure.

There are notably disempowering conditions which prevent informal sector workers from moving out of poverty and keeping them in continually impoverished conditions. Structural inequalities and obstacles such as caste and gender discrimination also compound the various deprivations faced by the poor. The lack of formal organisation, income insecurity and limited opportunities for training and skill development results in according a low status to the worker with no bargaining power.

Most workers in the informal sector do not have formal education or access to formal skills training. They are wage gatherers who take up any form of manual labour to meet their daily wage requirement. Even the Industrial Training Institute (ITI) which is largely irrelevant to market requirements, also require minimum educational qualifications for training. This takes away the possibility

for significant number of informal sector workers to enrol into ITIs. Even when such training becomes available the poor are in no condition to go through the training and seek employment, as many such vocational training opportunities do not necessarily have a market demand. Although there have been some successful attempts to provide vocational training based on market demands.

Yet another trend of Entrepreneurship Development (ED) training has been on the decline since the beginning of the new millennium. Even though entrepreneurship development (ED) does not exist in the form of formal training it is still pursued by many other means in the belief that the nodal agent for building an enterprise is an entrepreneur. This is true for an entrepreneur from the higher socio-economic category. But the complexity for the entrepreneur from the informal sector is compounded many times, owing to the market conditions and other complexities of running an enterprise. In cases where it may be possible the entrepreneur is focussed on business viability and share holder value, which in many cases forces successful entrepreneurs from the informal sector to move businesses away to areas that are more supportive for the business to thrive. Therefore regions which are poor both in human, natural and business related infrastructure will neither create businesses, and if it does by some chance, it will not be able to keep it. There will be flight of knowledge and capital from that region.

Current market conditions indicate that most products are mass produced and consumers increasingly demand higher quality at lower prices. This makes it progressively difficult for small enterprises to meet those market expectations. Many products that were earlier in the domain of informal sector workers now come under branded corporate labels, making it impossible for small businesses to compete in this domain.

The socio economic condition of informal sector based businesses limits their capability to understand consumer needs that belong to higher socio economic

strata. This has direct impact on designing and developing products which are suitable for those consumers.

In this scenario, every enterprise needs to be a highly efficient production system which is cost effective ensuring- efficient sales and marketing, designing and developing new products, organising to scale-up production, setting up financial and human resource management systems. This is impossible for small informal sector groups to accomplish on their own given their disadvantaged socio-economic conditions, coupled with low skills and the complexity of current markets.

While microfinance, thrift and credit have helped to remove women from cycles of indebtedness and provided access to capital, it had not altered their status in regard to power equations within the family, giving them less control over spending. Often women become the bearers of loans only to service another debt or offer collateral for loans. Only providing credit offered little scope or possibility to invest their capital in productive areas to enhance the livelihood of their families.

The above context emphasises that there may not be an easy way to create sustainable employment opportunities where the poor are situated; unless there is an alternate model to create an enterprise that will address the above conditions. An alternate model for the informal sector should primarily address a few core issues and provide solutions such that the-

- enterprise is collectively owned - which does not entirely depend on a single entrepreneur where workers are mere labourers
- enterprise is small enough to be self managed- which reduces cost and complexity of management
- enterprises need to focus on products and production process- which enhances efficiency

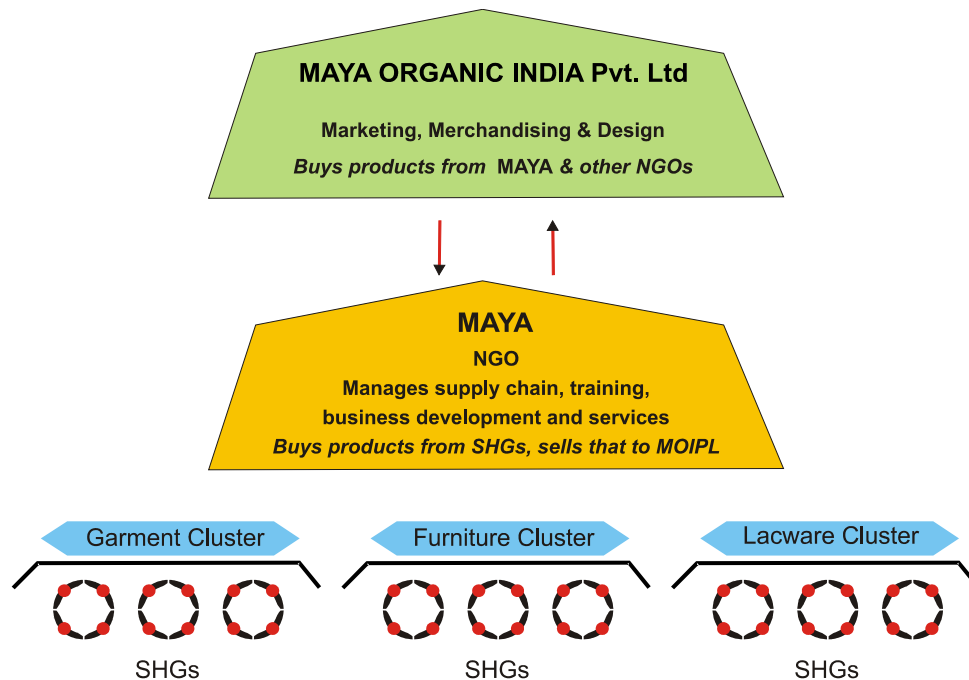
- model should be able to manage scale and deliver- which meets competitive market conditions
- model should have a supportive structure to handle complexities of supply chain, financial management, technical input and sales & marketing- to address requirements of the business which as a small business they could not afford
- Structure should have access to capital and appropriate technology -to continuously change to the demands of markets.

Programme Design

The core model of Maya Organic is to organise workers into SHGs that can function together as a viable group enterprise and share income in an equitable manner. The SHGs are worker owned enterprises that are self governed and collaborate with the Cluster¹ to share training, raw material, and other technical and institution building resources. The Clusters further collaborates with each other (such as Lacware, Garments, Wood and Metal fabrication) for the purposes of developing integrated products and ensuring social security benefits.

The interface with markets is made by MAYA ORGANIC INDIA PVT. LTD (MOIPL). The Company sells standard products which are branded as Maya Organic or are custom made to requirements of retail houses, marketing groups or sub-process job work from local and international firms. MOIPL and the various Cluster groups are structured to have a supply chain mechanism to process market needs into products and services which are produced by the various decentralised producer groups.

¹ The term cluster is used to denote an institution which is involved in a particular vocation to manage the overall supply chain functions to interface between the Marketing Company MOIPL and the worker owned group enterprises. This institution could be an NGO (in the case of this proposal, it is MAYA) or a cooperative/ SHG federations etc.



The Structure:

1. Self-Managed Group Enterprises: MAYA facilitators enrol workers and facilitates a team and enterprise building process. During their time in MAYA's incubation centres, group enterprises are trained in production and quality systems, as well as documentation. Over a period of time, the group invests in their own infrastructure to eventually run and manage their own unit. The enterprises take orders from the clusters.
2. Clusters: Clusters serve as an interface between MAYA ORGANIC INDIA Pvt. Ltd. and the group enterprises (collectives). The Clusters are responsible for supply chain management, production, quality control and distribution of orders. To this end, clusters ensure that enterprises can achieve optimal productivity levels, while also coordinating product development, raw material management and client servicing for customised orders.

3. Resource Centre: The core function is to facilitate and train clusters to build viable group enterprise and for the clusters to become an efficient supply chain organisation. The other key function is to support the cluster to develop a business plan and to have a stake in it. The Resource Centre, at a later stage, plans to have a fund for the clusters and the group enterprises as an investment and to have a stake in ensuring its viability.

4. MAYA ORGANIC INDIA Pvt. Ltd.: To reach optimal performance from an economic and social standpoint, the MO Livelihood Initiative needs to scale up marketing and product design activities to meet market demands. Increased investments, professional personnel, and more organization is required. Being a non-profit organisation, MAYA identified the need to register as an independent company. MAYA ORGANIC INDIA Pvt. Ltd. that intends to market and design products and services of MAYA's group enterprises, and of other clusters facilitated by the Resource Centre. Therefore, MAYA ORGANIC INDIA Pvt. Ltd. will work as a buying and design house, which buys from clusters, then in turn specify and coordinate orders executed by the group enterprises. The company builds and represents MAYA ORGANIC's brand in the market. The brand represents fair labour practices and high quality goods and services made by well trained informal sector workers and group enterprises.

The relationship between MAYA ORGANIC INDIA Pvt. Ltd. and the clusters is further enforced by a Memorandum of Understanding (MOU), which ensures long term partnership and the company's commitment towards designing and marketing products and services of the clusters. At the same time, clusters ensure timely and adequate supply of goods and services to the company.

Similarly, the clusters enter into an MOU with the group enterprises, where it agrees to help find work and ensure cash flow, while collectives fulfill

production, quality and social compliance requirements, as defined in the agreement (eg. no child labour, commitment towards learning, sending children to school, non-discrimination against gender, community and caste). The MOU further defines the member’s status as self-employed workers.

Mission

- To build a marketing and design company, which has the capacity and brand identity to market the products and services of the group enterprises in India.
- To build a resource and facilitating platform which enables a network with other NGOs and producer groups in order to reach out to over 100,000 entrepreneurs.
- To create an Enterprise Development Initiative, which ensures viable, self-managed group enterprises in rural and urban areas of India on a large scale.

Current Status

MAYA’s efforts during the last 3 years focused on setting up the basis for a) production and supply chain, b) setting up and internal system for standardisation, coding, pricing and c) evolving the basic model of enterprise development. (For a detailed list of existing capacities, see Annexure-2)

<u>MAYA ORGANIC INDIA Pvt. Ltd.</u>	<u>MO Livelihood Initiative (NGO)</u>
<u>Formalisation:</u> New Company MAYA ORGANIC INDIA Pvt. Ltd.	<u>Clusters:</u> garments (embroidery and tailoring), wood-metal fabrication, lacware

<p>is incorporated under the Indian Companies Act.</p>	<p>8 incubation centres for production/ training, R&D TOTAL Investments: USD 0.16 mio Cluster Sales - Carpentry: USD 0.1 mio / Garments: USD 0.1 mio / Lacware: USD 0.1 mio In-house capability to coordinate large scale orders Independent large scale raw material sourcing.</p>
<p><u>MAYA Sales/Turnover:</u> Sales 2005-2006: USD 0.31 mio Sales 2006-2007: USD 0.33 mio Existing Sales Channels: Distributors abroad: 2 MAYA ORGANIC own outlet: 1 Presence in India: 100 shops Regular Export Clients: 8 Exhibitions: 3/year</p>	<p><u>Enterprise Level:</u> 350 workers (19 group enterprises, 60% women) income/month: low USD 45 - high of USD 91 Cashless family health insurance for 60% Technical skills levels increased Basic literacy and numeracy for all Basic capability for book keeping, quality checking within all group enterprises All enterprises have invested and have savings</p>
<p><u>Design:</u> No of Designs: Over 317 products UNESCO Prize in 2005 for Wooden Toys. Packaging: In-house Facilities</p>	<p><u>Resource Centre:</u> Enterprise Development Model shows potential Process document</p>
<p><u>Backend:</u> Sales Administration Catalogues / Pricing / Bar-coding Basics for CRM/MIS is place</p>	

Summing up

1. Systemic Approach:

- Umbrella structures (clusters),

- Networks with other NGOs and producer groups (through Resource centre)
- Marketing-Design Company (MAYA ORGANIC INDIA Pvt. Ltd.)

2. Replicable:

- MAYA ORGANIC livelihood initiative has generic approach, with focus on
- Facilitation of enterprise development and supply chain management
- Capacity building of NGOs and clusters

3. Scalable:

- through networking and sourcing from clusters within India
- MAYA' s Resource centre evolves the network

4. Sustainable

- The intervention ensures local wealth creation while re-distributing profits and ensuring knowledge, financial and technology transfer
- Capability approach ensures that beneficiaries are able to make use of assets and resources in an effective and productive way

5. Market oriented and economically viable

- Company makes profit, MAYA clusters & group enterprises are viable.
- Products enter mainstream market and are branded
- MAYA ORGANIC stands for quality, innovative design & empowerment of the poor.

8 October 2007