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# Industrial Clusters and Economic Resilience: the Case of Ranipet in Tamil Nadu (India)

## Kamala Marius & Govindan Venkatasubramanian

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**Abstract:** Some recent studies on urbanisation in India referring to Ananya Roy's theory, focused on informalisation and the impossibility of governance, have put the spotlight back on the peripheralisation of industry (Coelho and Vijayabaskar, 2014), keeping small industrial towns at low levels of dynamism and social welfare. In contrast to those approaches, this paper examines the resilience of a small industrial town (Ranipet - Tamil Nadu), which has been well integrated in global networks since colonial times. It resonates with the framework of subaltern urbanisation<sup>1</sup> (Denis and Zérah, 2017) involving the strong agency of local actors (social capital, business families, and women workers) in spite of global circuits of capital.

**Keywords:** industrial town, Tamil Nadu, resilience, local capitalism, state policies, women workers

## Introduction

Unlike some developing countries in the world, India has proved relatively resilient to the global economic crisis by maintaining one of the highest growth rates in the world. It recorded a growth rate of 6.7% in 2017-2018 (April to March). Even if one of the main drivers of India's growth during the global economic crisis was the service sector (55%) located on the periphery of metropolitan areas, the manufacturing sector, not only in metropolitan areas but also in small

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<sup>1</sup> This study is a part of the project Surburbin: <http://suburbin.hypotheses.org> (retrieved July 2018). We thank Eric Denis, Marie-Hélène Zerah, and Frédéric Landy for their constructive remarks.

and medium towns, has been instrumental in maintaining the country's massive informal labour in spite of its low contribution to the GDP (15%). An example of this is the leather industry, one of India's oldest manufacturing industries, with a tendency towards an informalisation and feminisation of the workforce. The demand for its products comes from both domestic and international markets. Sales abroad of leather and leather products for the period April 2015 - March 2016 reached 5,853.96 million US dollars (Council for Leather Exports, 2017).

Many of the manufacturing units of these industries are located in small towns and even in rural areas, because of a combination of factors: cheaper land prices, exemption of taxes, lower pollution restrictions, and lower salaries for women workers who are numerically superior in manufacturing activities.

For example the agglomeration<sup>2</sup> of Ranipet (125,556 inhabitants in 2011),<sup>3</sup> which is well connected by rail and by road to Chennai (93 km), is one of the largest export-oriented leather industrial clusters in India (fig. 1) and also one of the largest fabrication clusters, which includes the production of automobile spares. Annual exports from Ranipet were valued at around €240 million in 2012 (CLE, 2013), making it one of the most important foreign exchange earners in India, in spite of the global financial crisis of 2008.

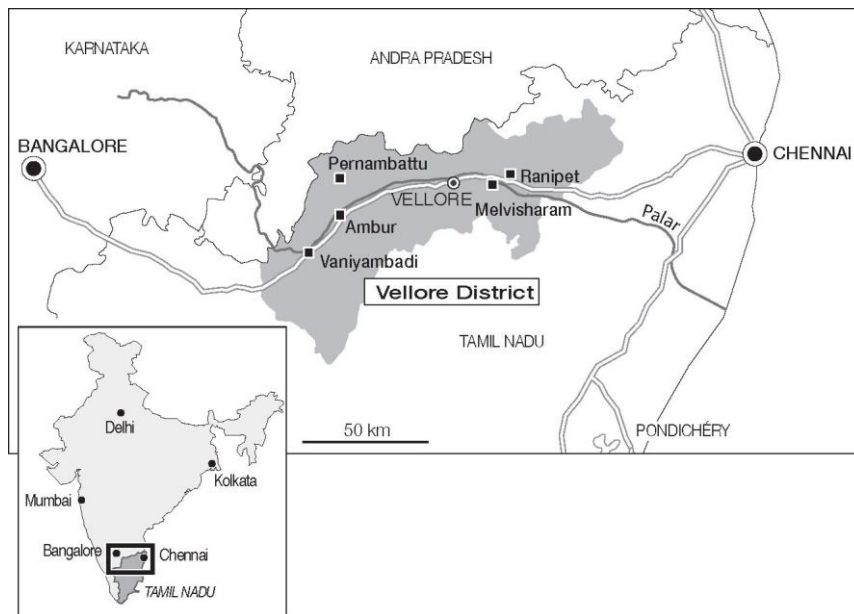
The location of Ranipet on the periphery of Vellore (27 km) - a major centre for administrative, educational, and medical services - could explain the lack of basic services in this town and the gaps between the productive hinterland and the unplanned and unserved town spaces. In spite of this, Ranipet provides some interesting experiments in terms of urban economic resilience. We will analyse the different strategies of resilience that maintain its economic activities and thereby its employment.

**Figure 1: Leather Industrial Towns in the Vellore District (Tamil Nadu)**

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2 A geopolis agglomeration is a contiguous built up area with a minimum of 10,000 inhabitants (Denis and Marius-Gnanou, 2011).

3 Ranipet is agglomerated with Walajapet and four villages, if considering the agglomeration as a contiguous built up area (fig. 1).



Source: Amelot and Kennedy, 2010.

During our fieldwork in 2012 and 2013, the small and medium leather units (80% of total units) in Ranipet were burdened with 10-hour power cuts per day, with an additional overhead burden of 20% to produce finished leather products, mainly due to water treatment costs. Most of them could not afford generator sets and the power crisis came at a time when orders from Europe were dropping.<sup>4</sup> Ranipet is a major manufacturing centre producing finished leather and shoes for the European market. In terms of exports of leather products, the share of Ranipet was significant: 12% for finished leather products, 8% for leather footwear pairs, and 5% for footwear components of India's total exports.

As we conducted regular surveys in this industrial cluster for over 15 years,<sup>5</sup> we can observe that this small industrial town has regularly suffered from power cuts and chronic pollution leading to the closure of many leather industries and the exclusion of thousands of workers. In spite of low levels of innovation in Indian clusters located in small and medium towns,<sup>6</sup> the performance of these clusters and their competitiveness in the globalised and liberalised economy has remained significant. A particularly narrow discourse on competitiveness has

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4 Germany (14.12%), Italy (13%), UK (11.48%), USA (9.98%), Hong Kong (6.61%), Spain (6.09%), France (6.14%), Netherlands (4.13%), UAE (2.38%), and Australia (1.55%) comprise 75.30% of India's total leather product exports.

5 See [www.palar.cnrs.fr](http://www.palar.cnrs.fr).

6 [http://planningcommission.gov.in/reports/genrep/rep\\_tech2509.pdf](http://planningcommission.gov.in/reports/genrep/rep_tech2509.pdf)

been constructed, with a number of negative connotations for the resilience of towns (Bristow, 2010).

In this context, the main objective of this paper is to analyse why some small, globally positioned industrial towns are economically resilient while others are not. What distinguishes resilient small towns from those that fail to recover from an economic recession?

A preliminary analytical framework based upon mechanisms, policies, and actors can deepen our understanding of the factors that contribute to the resilience of industrial towns.

## **1. Conceptualising Resilient Small Industrial Towns**

One of the most intriguing questions in economic geography today is why some regional economies manage to renew themselves whereas others remain locked in decline (Hassink, 2010). Several American economic geographers have tried to transfer the metaphor of resilience from psychology, ecology, and disaster studies to regional economic development, clusters, and towns. There is a multitude of meanings of resilience and a lack of conceptual and theoretical clarity across a range of disciplines (Pike *et al.*, 2010). Of course, there is much ambiguity with the term resilience, and there is no universally agreed upon definition of resilience in economics or in regional and urban studies. In the USA, attention has turned specifically to considering spatial and territorial aspects of resilience in local development and planning, originating in the response of regions to shocks such as 9/11 or Hurricane Katrina (Hill *et al.*, 2008 cited by Pike *et al.*, 2010).

However, current work on resilience is dominated by economic approaches based largely upon neo-classical theory and the adjustment towards an equilibrium-centred approach. This approach “provides thin abstractions and a somewhat reductionist and limiting frame with which to interpret the geographical differentiation and unevenness of the resilience of places facing volatile and uncertain changes” (Pike *et al.*, 2010, p. 61). Because of the dynamic and complex nature of urban spaces, the economic equilibrium approach (Hill *et al.*, 2010), defined as the ability to return to equilibrium after a shock, is not appropriate in our context. The equilibrium approach would mean, in the context of an urban system, that the more resilient a town is, the less it changes over time.

In contrast to this narrow explanatory framework of equilibrium-based accounts, Pike *et al.* (2010) have elaborated a means of understanding and explaining the geographically differentiated and uneven resilience of places. For old industrial towns adaptation and adaptability are dialectically related in an inherent tension within a more open system that has

to be accommodated or brought into balance by social agents..., adaptability can explain a different kind of resilience and one that maybe necessary to cope with unforeseen futures. adaptation and adaptability might be complementary in explaining how different elements of a region (sectors, labour markets, political interests, etc.) might integrate to provide a more complex form of resilience in any particular place. The concepts of adaptation and adaptability are more able than an equilibrium-centred view to tackle the legacies of history and context in explaining the differentiated resilience of regions, old industrial or otherwise. (Pike *et al.*, p. 62-63)

In this framework, we also have to include state policies, institutions, and associations. The state and policies at several spatial levels, in fact, are of the utmost importance in analysing and explaining differences in regional economic adaptability, as it has been shown in several case studies of old industrial areas. (Hassink, 2010, p. 53) The notion of resilience for small towns can be perceived as a degree to which towns are able to tolerate disruption before reorganising around a new set of structures and processes (Alberti *et al.*, 2003). This means that resilience is not only a “response to impact” (like a disaster or economic decay), but also a society and economy that is flexible, adaptative, and able to adjust in the face of uncertainty.

According to Besser (2013), who has focused his study on resilient small towns in the USA, past research has suggested one factor that distinguishes resilient towns from those unable to recover from a shock: the social capital<sup>7</sup> present in the town before the advent of a shock.

Another community asset that may promote resilience is “local capitalism,” or the proportion of businesses in an area owned by local residents. Prior research has concluded that places dominated by small, locally owned businesses experience greater economic stability and a higher level of resident socio-economic well-being, as compared to places where large and/or absentee-owner businesses predominate (Besser, 2013).

Another individual asset that can explain the resilience of industrial towns is the labour agency, when many women workers are involved in these small industrial towns. We know that women working in domestic export factories, in spite of their low salaries, are nevertheless better off than other categories of wage workers (Kabeer, 2011). Greater economic opportunities for women and girls in export-oriented firms located in non-metros can also promote women’s exercise of agency by broadening their networks even with informal contracts. Based on a study

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<sup>7</sup> Social capital is defined as relationships between people, characterised by trust and norms of reciprocity (Putnam, 1993, 2000)

of the Tirupur garment cluster in Tamil Nadu, Carswell and De Neve (2012) examine how people enter this export-oriented industry, as well as the multiple, everyday forms of agency that they engage in.

This conceptualisation of resilience can offer an interesting framework to assess whether it is relevant to examine the transformation, adaptation, and adaptability of industrial small towns in the Global South from the point of view of economic geography. This preliminary analytical framework is based upon four main points that are relevant to our study: the role of state policies, social capital, local capitalism, and the labour market. The small industrial town of Ranipet is well suited to illustrate these arguments, since the study of urban resilience requires a longitudinal approach to understand processes over a long period of time. This survey was conducted precisely at the time of the economic crisis, but since we have been following this site for over ten years, it has enabled us to provide a temporal perspective. In this context, we try to contribute to demonstrating how new approaches to economic geography based on urban studies can provide a means of understanding the geographically differentiated and uneven resilience of places (Pike *et al.*, 2010).

These cities have a resilient and robust economic base, which may be connected globally, sometimes bypassing the intermediation of the metropolis. Unfortunately, there has been limited exploration of this diversity, but rather attempts to fit Indian cities into a broader global narrative, whether of global cities or new economic geography. (Denis *et al.*, 2012, p. 61)

The paper's methodology is based on a survey of 200 firms in the Ranipet area between August and January 2014, as well as on interviews with the main stakeholders in the agglomeration, including workers in Ranipet and Walajapet and in the adjacent cities of Melvisharam and Arcot, between August 2011 and March 2014. The survey was conducted in order to understand the nature of business, production organisation, and also the constraints faced by these industrial units. The supply chain of the units was traced and an attempt was made to establish the backward linkages (with dependent subcontractors, independent units doing job work, and others who were partially linked to this chain) and forward linkages (with brands and retailers) whenever possible. The interviews were carried out with personnel managers, line managers, and supervisors. Emphasis was put on interviews with managers, in order to make clear links. Other sources for collecting information included export associations, export promotion councils and agencies, the labour department, factory inspectors, chambers of commerce and worker (living) communities, other members of the workers' families and ex-workers of the factories and their families, town panchayat commissioners, chairmen, town planning

inspectors, inspectors of factories in Vellore, managers and RHD (KH, Bachi, Euro shoes), associations of tanneries, and municipal administrations.

**Figure 2: Sample of Units Surveyed in the Ranipet Agglomeration**

<b>Nature of Production</b>	<b>No. Units</b>
Leather units	66
Shoes upper	60
Shoe bottom	17
Engineering units	38
Tanneries	7
Spare units	12
<b>Total</b>	<b>200</b>

Source: Marius and Venkatasubramanian.

For a better understanding of the labour market and the agency of workers, we conducted a more focused survey of 400 households in the Ranipet area between August and January 2014. The sample households are taken from a systematic sample of families working in the leather industry at various levels.

The case study of the Ranipet agglomeration demonstrates how the state (central and regional) can support the development of industrial clusters. Strong social institutions (caste, community, associations, *jamaat*...) and local capitalism (well-known local business families) can also provide advantages in terms of collaborations with public authorities and tools for resilience. Thirdly, the paper demonstrates how the processes of rendering industrial production more flexible in the face of globalisation have led to the feminisation and casualisation of labour, ensuring the resilience of this small industrial town.

## **2. State Policies, Social Capital, and Resilience Strategies**

The leather industry is one of the oldest traditional industries in India. It has several components like tanning, footwear, and leather products, including garments. The modern leather industry began with direct encouragement from the British colonial government.

Of the total number of tanneries in India, about 45% are located in clusters of small towns in the Vellore district (Vaniyambadi, Ambur, Pernambattu, Melvisharam, and Ranipet) along the



Chennai-Bangalore corridor (fig. 1). Industrial tanning was progressively introduced in the 19th and 20th centuries, mainly following the initiative of Labbai Muslims who have traditionally been involved in commerce and trade. By the middle of the 19th century, Muslims held a monopoly over both tanning and manufacturing activities, which they slowly mechanized (Flamant, 2004). People from other districts of Tamil Nadu and from Andhra Pradesh whose traditional occupation was leather work migrated a long time ago (Kennedy, 2004; Dupuis, 1960).

Until the 1980s, the historical absence of Hindu investment in this industry was explained by the impurity associated with leather in the Brahmanical value system. However it is no longer the case and many Hindus (Chettiar and Naidu) have long been involved in the leather industry. It cannot be argued that community has functioned as an entry barrier to entrepreneurship in the tanning segment of the leather industry since large numbers of non-traditional entrepreneurs also set up and operated successful units.

Even if the leather industry in the agglomeration of Ranipet has existed since the colonial period, its present level of development is a result of government policies to develop leather clusters in particular ways. In Tamil Nadu in particular, the degree of state intervention in the industry has been high and a variety of institutions have come into existence to take care of the needs of this industry.

Thus, while the colonial state actively promoted the entry of India on the international market for raw hides and skins and then semi-finished leather, policies to encourage the indigenous development of value added segments in the industry such as finished leather, shoe components, full shoes, and leather goods took place in subsequent stages from 1973 onwards. In the late 1970s and early 1980s, 100% export-oriented footwear industries on a larger scale were promoted, allowing them to get established afresh. The role of the state has been crucial in determining the nature of integration with the global value chain in the leather industry. The footwear sector is de-licensed and de-reserved, paving the way for the expansion of capacity on modern lines with state-of-the-art machinery. To further assist this process, the government has permitted 100% Foreign Direct Investment through the automatic route for the footwear sector. The leather industry has a very strong institutional set up.<sup>8</sup> Between 1979 and 1985, three major

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<sup>8</sup> The following are the major institutions that cater to the industry:

- CLE, Council for Leather Exports (under the Ministry of Industries and Commerce)
- CLRI, Central Leather Research Institute (under the Department of Scientific and

corporations were created in the state with the explicit mandate to service small and micro enterprises with technical and concessional financial assistance - the Small Industry Development Corporation (1970), SIPCOT (Small Industries Promotion Corporation of Tamil Nadu in 1972),<sup>9</sup> and the Tamil Nadu Industrial Development Corporation (1985).

In the Ranipet agglomeration, the 750 units<sup>10</sup> are scattered: around 85% of the units were established in Ranipet in the early 1980s and 1990s. When SIPCOT was formed, around 40% of the units were established inside and outside the SIPCOT area. Since the 1991 liberalisation, 15% of the units have been established, but due to pollution, very few tanneries were built after 2001. Also, many of them have been closed as they were not connected to a CETP (Central Effluent Treatment Plant). In fact, since 1995-96, the local industry has been hit hard by the decision of the Supreme Court to enforce environmental regulations concerning tannery effluents, and tanners have increased their co-operation in order to meet stringent pollution controls (Kennedy, 1999).

### **3. “Clusterisation” and Local Capitalism as Sources of Economic Resilience**

#### *3.1 A Geographically Concentrated Cluster*

As shown by Kennedy (2004), Flamant (2004), and Das (2005), the leather clusters of Ranipet and the Palar Valley manifest a number of characteristics of the industrial district model, including joint action. Many of these firms enter into subcontracting arrangements with composite factories or manufacturing units. This physical proximity in itself can generate

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- Industrial Research, Ministry of Science and Technology)
  - AISHTMA, All India Skin & Hide Tanners & Merchants Association
  - ISF, Indian Shoe Federation
  - IFLMEA, Indian Finished Leather Manufacturers and Exporters Association
  - CFTI, Central Footwear Training Institute
  - ILIFO, Indian Leather Industry Foundation
  - Regional Tanners Associations
  - Common Effluent Treatment Plants

9 The main activity of this nodal agency is to acquire land, develop industrial complex parks, growth centres, industrial corridors of excellence, and SEZs (Special Economic Zones) with basic infrastructural facilities.

10 Source: Department of Industries and Commerce, Vellore, 2012.

“agglomeration effects,” by reducing transport and transaction costs of various kinds. Like Tiruppur, studied by Chari (2004), Ranipet is a space of flexible accumulation where the production of leather goods is organised within a geographically concentrated cluster consisting of a network of formal and informal production units, connected through subcontracting and job-work linkages. Due to their foothold in this area since colonial times and the availability of semi-skilled workers for decades, the business families do not want to move to a neighbouring district.

Traditionally, there has been an outgrowth of clusters around a particular industrial estate, but now they are more integrated in SEZs (Special Economic Zones), implemented by the state in 2005. Subsequently, clusters have come into existence without any barrier of distance from the location of big industries to which they supply intermediary goods. The distance factor in such cases is no longer a barrier thanks to middlemen between big firms and clusters, and also on account of improvements in the transport system. More recent contributions have shifted from local co-operation dynamics to local-global links, and have increasingly adopted the “Global Value Chain” approach. Now, the emphasis is on the role of global foreign buyers as the main carriers of knowledge flows towards clusters. Buyers direct and help local firms upgrade their products and processes.<sup>11</sup>

70% of units work in leather-related industries in Ranipet. They produce full shoes, shoe uppers, shoe bottoms, and other accessories, and also process leather. 28% of units work in engineering accessories; 35% of units produce chemical, plastic, and other accessories, working for leather and engineering clusters.

The leather cluster within the Ranipet municipal limits is composed of 355 units distributed into many sub-sectors: dry leather finishing, chrome tanning, vegetable tanning, leather chemicals, shoe uppers, and footwear manufacturing. More than 200 units are involved in tanning and 150 in chrome tanning, employing 8,000 workers. Most leather tanning units with fewer than 10 workers are not registered, and job work is prevalent. These small units are counted as micro industries by the department of Industries.

Thus, it is quite common to find an owner who hires out an employee for a special activity on piecework basis. The demand for work fluctuates with the availability of skin and orders from

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11 Vijay Kumar Kaul, *Competitive Innovative Clusters in India*, Department of Business Economics, University of Delhi, <http://ssrn.com/abstract=2369291> (retrieved July 2018).

other leather companies. The smaller units specialized in one stage of the production of leather goods are connected to larger exporters through subcontracting and job-work networks.

**Figure 3: Units in the Leather Value Chain in the Ranipet Cluster in 2012 (>10 Workers, Mandatory for Registered Units)**

	<b>Total Units</b>	<b>Average Employment</b>	<b>Estimated employment</b>	<b>% of Work</b>
<b>Dry leather finishing</b>	28	995	1,420	2
<b>Footwear manufacturing</b>	9	991	1,320	2
<b>Shoe uppers</b>	99	16,847	22,531	27
<b>Chrome tanning</b>	154	4,954	8,141	10
<b>Vegetable tanning</b>	32	1,082	1,961	2
<b>Leather chemicals</b>	19	1,424	1,930	2
<b>Other chemicals</b>	14	1,113	1,480	2
<b>Other products and services</b>	63	4,609	7,060	10
<b>TOTAL</b>	<b>418</b>	<b>57,855</b>	<b>82,001</b>	<b>100</b>

\* Maximum intake during peak seasons.

Source: Database of Inspector of Factories, DIF, Vellore, 2013.

The employment figure is high in the manufacturing of shoe uppers. When considering registered factories with more than 10 workers (all registered industries have more than 10 workers), almost 30,000 workers (43% of the workforce) are involved in the leather sector (fig. 3).<sup>12</sup> Except for the shoe upper sector which has a large number of workers (44 factories with more than 200 workers), the leather sector is composed of small units of fewer than 100 workers.

The footwear units in Ranipet are the most mechanised. The division of work in both shoe uppers and final shoe manufacturing is more elaborate and capital intensive here than in other

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<sup>12</sup> In CLE, we were told that data on employment does not exist, because of subcontracting with small units of fewer than 10 workers. Our work is based on data collected with the Inspector of Factories, and concerns only units of more than 10 workers.

parts of India. From the data of the Inspector of Factories, we find that all big firms have more than 200 workers. Firms that have further diversified into sole making have become larger (more than 1,000 workers). Big factories like KH, Bachi Shoes, and Ram Leathers are based in multiple locations. Each industry has different reasons for locating their factories between Melvisharam, Ranipet, and the Ranipet industrial estates.

The industrial cluster in Ranipet is organised between jobbers and exports, taking advantage of the availability of raw materials, semi-finished goods, and the service sector. All the major producers in Ranipet have partners involved in the processing of raw materials or finished goods. The job-work units located in two Small Industrial Development Corporations (SIDCO) are independent and maintain strong links between job work providers and other ancillary units. The main producers continue their marketing through direct agents, major jobbers, and direct sales.

As for the marketing of products, 65% of the units sell through the intermediaries. They either do job work or sell indirectly; 20% of the big units have direct orders and export/sell directly. Sometimes, they sell to other factories with their brand name. Nearly 15% of the units sell partially to direct buyers and partially through jobbers - this includes shoe bottom and machinery accessories - and 78% of the units have regular orders from other firms. These units prefer to either fully produce or partially sell on regular orders so that they can provide jobs to their workers regularly.

In our sample, 22% of the units supply their products to 3 different companies, 27% to 2 companies, 3% to only one company, 22% to 5 companies, and 15% to 6 companies. This shows that the production units have different marketing channels.

### *3.1 The Role of Local Capitalist Families in Economic Resilience*

It is interesting to observe how local family businesses long established in Ranipet have transformed its economic landscape from a small town to a globally embedded economy. Family business has been an important component in the development of the Ranipet industrial cluster.

The Ranipet cluster is dominated by entrepreneurs from the towns of Melvisharam and Ranipet: 58% of industry owners are natives of Melvisharam, 25% are from Ranipet, and only 17% are from Vellore. The owners from Vellore are migrants from different parts of South India: 27% are from different regions of Tamil Nadu and 11% from towns such as Bangalore, Hyderabad, etc. Regarding the residence of the owners, 90% live in and around Ranipet and only 6% live

in Chennai and commute to Ranipet once a week.<sup>13</sup> For all of them, the proximity to the town of Vellore which provides all amenities (a well-known hospital, a good university, and recreational activities), limits commute to Chennai.

There are many reasons for the establishment of industries in this town. The main one is family links, while other reasons are related to the industrial cluster facilities.

**Figure 4: Main Reasons for Establishment of the Industries**

Reasons	Frequency (%)
Family link in the town	22
Transport facility	12
Availability of raw materials	21
Cluster advantage	9
Market facility	16
Trained labour available	18
No strikes in general	2

Source: Primary data, 2013.

45% of units were started by family members and most of them are owned by Muslims. 75% of the units have partners among family members. These include sons, daughters, brothers, and wives. 13% of industry owners are natives of Ranipet and 27% are from Arcot and Melvisharam. 36% of the owners come from different parts of Vellore and the surrounding areas.

81% of units have formal agreements with other enterprises and 86% do not receive any financial help from the government. Most units have received 35-40% of their initial capital from banks. 70% of units take loans from relatives and friends on interest.

In general, there are no disputes between firms in sharing products and raw materials. Only 5% of units encounter problems regularly and 6% occasionally. If there is a dispute, 97% of units resolve it with the help of association leaders and 3% resolve it with the help of *jamats*.<sup>14</sup>

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<sup>13</sup> In Ambur, the other leather cluster studied by Coelho and Vijayabaskar (2014), most owners live in Chennai.

<sup>14</sup> Islamic assembly.

Some case studies can illustrate this thesis. Apart from TLS (Tata Leather Group), no large domestic corporate firm is involved in footwear production either for export or for the domestic market. In Ranipet also, family companies are predominant.

### *3.3 The Khizar Hussain Group: The Biggest Company in Ranipet<sup>15</sup>*

The dynamic nature of Labbai entrepreneurship, readily claimed by the community, is illustrated by the Khizar Hussain and Sons Group which has many units in Ranipet and in the Palar Valley. However, socio-political factors, such as policies aimed at promoting and modernising the industry, appear to have played a predominant role. During the 1980s, large industrial groups owned by a few Muslim families began to develop. Several firms like the KH group began to manufacture complete shoes, which marked the take-off of the shoe industry, and radically modified the socio-economic landscape of Ranipet and the towns in the Palar Valley (Flamant, 2004).

The KH Group, whose annual turnover is US\$ 150 million, has effectively integrated many companies: M A Khizar Hussain and Sons, KH Shoes Private Limited, Rabia Leather Limited, and KHArind Limited. This group has a total labour strength of around 12,000 workers, which goes up further during peak seasons. In Ranipet, KH Shoes, the largest unit, has almost 5,000 workers (Inspector of Factories, 2012), KH Leathers, 900 workers, and KH Shoes Accessories, 400 workers. Muslim white collars and blue collars are predominant because of community preference. The shoe factory of Ranipet, established in 1982, has a production capacity of 10,000 pairs per day. The high quality shoes produced here are sold to renowned international brands. The company's export turnover is around US\$ 52 million. The factory has an in-house outsole manufacturing factory. It sources leather from 3 tanneries of its own group which manufacture high quality leather.

Apart from running many factories, the KH family has invested in education and health. Apollo KH Hospital is a joint venture between Apollo Hospitals Enterprise Limited and the KH Group. The hospital campus is spread out across 10 acres of land in Ranipet. One of the primary objectives of the KH group is also to raise the education level of the Muslim community, which is statistically less inclined towards studies than Hindus.

Most big enterprises are manufacturer-exporters (KH, Bachi Shoes, and Ram Leathers) and the major markets are the European Union (including the UK) and the US. Most of the world's

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<sup>15</sup> Interview with Ashok Singh, manager of KH Ranipet, January 2012.

major footwear brands (Clarks, Versace, Next, Hugo Boss, Florsheim, Gabo, Salamander, Guess...) source from the factories in Ranipet and nearby towns (Ambur). Large firms and many medium-sized firms export directly, but the rest of them export indirectly through merchant exporters or importing agents in Chennai.<sup>16</sup>

#### **4. The Transformation of the Labour Market: A Tool for Resilience**

Cluster informalisation is a major feature of the labour market, irrespective of the nature of the enterprise. Informal methods of recruitment and remuneration are a guaranteed system to exert control over the labour process, and even in segments such as footwear manufacturing and finished leather production where production conditions can favour vertical integration, flexibility is attained through control over labour. The availability of cheap labour offers the possibility of adjusting instantly to changes in demand, whereas investment in more machinery, even if the costs can be recovered quickly, prevents such instantaneous adjustments. Control over the labour process constitutes the most certain element in the production process for an entrepreneur, and in a situation where entrepreneurs consider production conditions to be vulnerable, informal labour processes are used and are widespread. The use of informal labour processes is possible due to employment based on gender in Ranipet and in Tamil Nadu in general, in spite of the rules of traditional society. Women, whose labour costs less, are much sought after by employers, even more so in rural than urban areas, as can be seen in the Ranipet cluster. It has been observed that female labour is cheap not only because of the difference between the wages of men and women, or the difference in skills, but also because of the lack of security and protection which characterises women's labour. Both of these are linked to the flexibility of the labour market. On the other hand, women also prefer some flexibility in their work since it allows them to take care of their families. Their docility is also a reason for employers to prefer women workers (Marius-Gnanou 2014, 2015).

Since the beginning of industrialisation in Ranipet (1980), no special qualification has been required from workers. Managers ask for a minimum level of education (8-10th standard), except for Muslims (community preference). In KH for example, 75% of women workers are Muslim. In large units, the average income of the majority of workers is between 4,000 Rs and

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<sup>16</sup> In the year 2012, the Ranipet cluster exported 118 million euros (11%) worth of leather footwear, 105 million euros of finished leather products (11%), and 17 million euros of footwear components (8%).



7,000 Rs,<sup>17</sup> much higher than in smaller units. According to many workers, the salary is much higher in Bangalore for the same work (around 20,000 Rs). In larger units like KH shoes,<sup>18</sup> managers have strategies to limit turnover and absenteeism. For example, they offer special incentives to workers who work continuously for 24 days. Women workers who become permanent after 6 months also get many benefits such as: ESI (social security), PF (provided fund), maternity leave, half salary in case of illness or technical unemployment, 200 Rs on Sunday, and bonuses for Ramzam and Pongal (Indian festivals). According to the Human Resources Manager of Bachi and KH Shoes, they do not suffer from labour shortages. These large export houses are also pressured to implement international codes of conduct and try to comply with standardized labour regulations.

Traditionally, women were given jobs inferior or subordinate to those of men. For example, in the cutting section, the men would operate the machines while the women 'helpers' would sort and arrange the cut pieces. However, gradually managers have come to realise that women are as capable as men at skilled jobs, and are in fact more efficient. One of the reasons for this rapid transformation is the quick turnover in the female workforce combined with recent requirements for minimum educational qualification. One-third of the female workforce changes each year, whereas the educational level of the male workforce -- those recruited initially were often below the 3rd standard - has remained relatively stable.

Many big companies subcontract their production. They sometimes give out work to home-based workers through contractors. Even many medium scale units in the organised sector do this. Subcontracting work to home-based workers seems to have expanded phenomenally over the past decade, mostly during peak seasons. In many colonies surveyed in the Ranipet area, a majority of households were reported to be doing some kind of home-based work. However, jobs created in this way are irregular and low paid, and most importantly, on a piece-rate basis. M A Khizar Hussain and Sons Shoes<sup>19</sup> recruits women within a radius of 50 km around Ranipet and up to Chittoor (Andhra Pradesh). The strong participation of women in industry jobs, especially in Ranipet, is due to the number of footwear factories that employ mainly women (>100 units). Shoe factories are much more labour-intensive than tanneries at present, and

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<sup>17</sup> 1 euro=75 Rs in 2014.

<sup>18</sup> Interviews with women workers at KH shoes, April 2013.

<sup>19</sup> Interview with Ashok Singh, manager of KH, January 2011. KH had 3 units of 4,000, 900 and 400 workers in Ranipet in 2012.

increasingly feminized. In our sample of 400 households, 75% of workers were recruited directly and 25% with the help of recruiting agencies and trade unions. Finally, as far as workers are concerned, 42% are originally from Ranipet and most of the others are from the hinterlands within a radius of about 10-30 km from Ranipet, 26% are from Vellore, 11% from Melvisharam, and 12% from Arcot. In our sample, 90% are Hindu and 10% are Muslim.

In such rural areas, with a deep-rooted patriarchal ideology, the growth of a female salaried class, even with the increased exploitation of women which it implies (low wages), may be a factor leading to “empowerment” as stated by some of the women who were asked about their condition.

**Figure 5: Main Reasons for Women to Work in a Shoe Company**

<b>Reasons</b>	<b>Frequency (%)</b>
Work is interesting	10
Woman has to work to support family	20
To meet friends	20
To pass time	10
Sufficient salary	10
Happy environment	10
Since illiterate, forced to take up this job	5
Salary is more in this work	5
Otherwise boring, sitting at home	3
No need to carry weight on their head or with their hands	7

Source: Primary data collected by authors, 2014.

Though working conditions in small units are bad (low salaries, casualisation, and compulsory overtime), they are still better than in any other activity (except the public service). Thus, most unmarried women prefer going to the factory rather than staying at home and being bored (fig. 5). Also, they can escape the control exerted by their family and neighbours. Women who work in factories tend to get married later than other women, because they are often the only earning family member, and this is also the only way for them to prepare their dowry. In fact, even after marriage, many women workers go back to the factory once their children have grown up. Their salary often constitutes the principal if not sole income in the household, which could confer on them the status of implicit or explicit family head. However, some of them manage to get

work that can be done at home, until their children have grown up, but for pathetically low salaries (at unit rate) and without welfare benefits (bonus or allowance, maternity leave, and retirement benefit).

Like in Tirupur (Carswell and De Neve, 2012), women's agency is embedded in and structured by wider social norms and gender relations, because of their conditions of respectability and domestic responsibilities, and the need for regular income regardless of social status.

Some workers' practices can best be seen as mere 'resilience', such as when women workers seek to simply 'get by' by taking a lower paid job or opting for a job near to their residence... Gender, caste, life-cycle and mobility are all instrumental in determining the parameters of workers' participation in global market production and the transformative potential engendered by their agency. (Carswell and De Neve, 2012, p. 9)

## **Conclusion**

Some recent studies on urbanisation in India referring to Roy's theory, focused on informalisation and the impossibility of governance, have put the spotlight back on the peripheralisation of industry (Coelho and Vijayabaskar, 2014), keeping small industrial towns at low levels of dynamism and social welfare.

In contrast to those approaches, this paper has examined the resilience of a small industrial town, which has been well integrated in global networks since colonial times. It resonates with the framework of *subaltern urbanisation* involving the strong agency of local actors (social capital, business families, and women workers) in spite of global circuits of capital.

This urban resilience for Ranipet is made up of an urban economy that is flexible and able to adjust in the face of uncertainty and bad governance. Social capital, state policies for the leather sector, local capitalism, and women's labour are the main factors that distinguish resilient towns from those that are unable to recover from an economic crisis. Our research has concluded that places dominated by local family-owned businesses experience greater economic stability as compared to places where large and/ or absentee-owner businesses predominate. Apart from the discrete intrusion of TLS (Tata Leather Group), no large corporate firm is involved in footwear production in Ranipet, either for export or in the domestic market. Most of the owners of the small and big units have partners coming from the same family (brother, sister, cousin.), the same community, and the same places. Another individual asset that can explain the resilience of an industrial town is the labour agency. As soon as many women workers are involved in small industrial towns, there is resilience in spite of the growing informalisation

and casualisation of this global sector. Further studies of this aspect are needed to better understand the resilience of industrial clusters in small towns. It would be interesting to test this resilience framework with international comparative research in the Global South, a study that is missing so far.

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