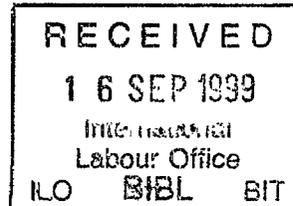


ISSUES IN DEVELOPMENT

Discussion Paper

25



Urban Informal Sector in India: Macro Trends and Policy Perspectives

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Development Policies Department

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LIST OF ABBREVIATIONS

ASI	Annual Survey of Industries
CBOs	Community Based Organisations
CSO	Central Statistical Organisation
DCSSI	Development Commissioner for Small Scale Industries
DE	Directory Enterprises
DME	Directory Manufacturing Enterprises
DGET	Director General of Employment and Training
EMI	Employment Market Information
IDSMT	Integrated Development of Small and Medium Towns
NDE	Non-Directory Enterprises
NDME	Non-Directory Manufacturing Enterprises
NGOs	Non-Governmental Organisations
NIC	National Industrial Classification
NSS	National Sample Survey
NSSO	National Sample Survey Organisation
OAE	Own Account Enterprises
OAME	Own Account Manufacturing Enterprises
SMTD	Small and Medium Town Development programme
SSI	Small Scale Industries
SSS	Small Scale Sector
WPR	Workforce Participation Rate

PREFACE

The ILO has been concerned with the employment and labour market implications of the informal sector since the term was first coined by the ILO Employment Strategy mission to Kenya in 1972. Ever since, considerable research on the informal sector has been carried out by ILO as well as by other institutions and agencies. In 1991, the informal sector was the subject of the Director General's Report to the 78th International Labour Conference, *The Dilemma of the Informal Sector*, giving impetus to an Interdepartmental Project on the Informal Sector in 1994-1995 that evolved a cross-sectoral approach to addressing the problems of the informal sector through technical cooperation in Asia, Latin America and Africa. More recently, the Director General, in his Report to the 87th International Labour Conference, *Decent Work*, reaffirmed ILO's commitment to extend its reach to all workers, including the working poor and the informal sector:

"The ILO is concerned with all workers. Because of its origins, the ILO has paid most attention to the needs of wage workers – the majority of them men – in formal enterprises. But this is only part of its mandate, and only part of the world of work. Almost everyone works, but not everyone is employed. Moreover, the world is full of overworked and unemployed people. The ILO must be concerned with workers beyond the formal labour market – with unregulated wage workers, the self-employed, and homeworkers."

As we reach the end of the 20th Century, it has become abundantly clear that the informal sector is not a temporary phenomenon nor is it likely to become integrated into the modern formal sector in the near future. Indeed, it continues to grow both in developed and developing countries, fuelled by the informalization of the production processes, the globalization and liberalization. Additional factors include high levels of rural to urban migration and population growth, and the inability of the formal sector, particularly in developing countries, to absorb the new entrants to the labour market.

Perhaps nowhere is the magnitude and volatility of the urban informal sector more visible than in India, a country with a population now crossing the billion mark. The present Paper by Professor Amitabh Kundu of Jawaharlal Nehru University, New Delhi, provides an overview of macro trends and policy perspectives related to the urban informal sector in India. It draws on available data sources and suggests alternative approaches to the analysis of the informal sector. Despite the data limitations, the author demonstrates that it is possible to discern the broad trends and dimensions of the sector, particularly with regard to the manufacturing sector. An important finding is the sharp decline in recent years in manufacturing industries in both the formal and informal sectors, and a corresponding rise in the working population in the service sector. The possible reasons for this are discussed in some detail. Another significant finding is the trend towards casualisation of labour particularly for men as measured by workforce participation rates despite the decline of unemployment rates. Moreover, the percentage of women classified as regular employees has increased while those classified as self-employed has decreased; the reverse is observed for males. There has also been a rapid increase in participation rates for women in recent years. On the other hand, there continues to be a sharp disparity across sectors in the wage rates of male and female workers, while real wage rates have declined for both.

This detailed analysis of labour market statistics is complemented by a thematic overview of micro-level studies of the urban informal sector, allowing the author to draw some conclusions beyond the manufacturing sector. Three categories are reviewed: those pertaining to a specific occupation or industry; those focussing on informal activities in a specific city or locality; and research on the urban poor and slum dwellers. This is followed by an analysis of policies and programmes for upgrading the informal sector which concludes that incentive systems for promoting industrial growth have hardly reached the unorganized sector and many are in fact being lifted gradually with structural adjustment and liberalization of the economy. The author argues that providing institutional and administrative support for the tertiary sector (which is growing) would be more effective in promoting employment than to the manufacturing sector (which is declining). He concludes that an institutional support system is needed at the local level which carefully targets informal sector units in both manufacturing and services sectors. The role and strategies for intervention by central, state and local governments emerges as a critical area for future research.

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URBAN INFORMAL SECTOR IN INDIA: MACRO TRENDS AND POLICY PERSPECTIVES

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1. INTRODUCTION

There has been an upsurge of interest on urban informal sector in India in recent years. A number of studies have been commissioned, books and articles published, and seminars and workshops conducted focussing both on its theoretical as well as operational aspects. The substantial increase in the volume of person days of employment, percentage of subsidiary and casual workers in the early nineties, after the formal launching of the programmes of structural adjustment, has given a boost to informal sector studies since much of this incremental employment has been generated within this sector. There has, however, been a hiatus between conceptualization of the informal sector in theory and its practical application in empirical research.

Theoretical research on the development dynamics in India as also in other developing countries has stipulated several characteristics of the informal sector in terms of technology, production relations, conditions of work and workers, among others. It also envisages certain types of relationship between the formal and informal sector. Unfortunately, empirical studies analysing the pattern of growth of the informal sector at the national or state level have generally used a single criterion such as the number of workers, capital employed, use of electricity or registration with certain public agencies as the basis for identification of the informal sector (Mathur, 1993). This is mainly due to limited availability of data from secondary sources and problems of temporal comparability therein.

Understandably, development economists have found this approach, based on limited indicators, inadequate and unsatisfactory for capturing the gamut of informal activities (Bromley, 1994; Breman, 1995; Nurul Amin, 1996; Nagamine 1996). They have argued that some of the crucial characteristics of the informal sector pertaining to labour relations, producer-trader nexus, linkage with the government and other formal agencies, considered important in the theoretical literature, have been ignored in macro level analyses using secondary data.

Several scholars have gone in for a more rigorous identification of this sector using complex and multifarious indicators. This could only be done based on survey data. Understandably, they could conduct such detailed analysis only at the settlement level. Enthusiasm for this approach has, however, been somewhat overwhelming in recent years. Voluminous literature has come out comprising case studies of industries, towns/cities and localities (Papola, 1981; Bhattacharya and Dey, 1981; Subrahmanian, Veena and Bhanumati, 1982; Lall, Hazra and

¹ Acknowledgment: Dr. Shalini Gupta has helped in the preparation of the draft and development of arguments in the paper. The assistance of Ms. Debolina Kundu in data analysis and review of literature is gratefully acknowledged. Mr. Steven Miller, Dr. Ajit K. Ghose and Ms. Andrea Singh have commented extensively on an earlier draft which has helped in redesigning the structure of the paper as also changing the thrust of several arguments.

Sharma, 1988; Von der Loop, 1988). There is, however, one major drawback in this approach. As individual researchers have come up with his or her own set of indicators for identifying informal activities, comparability of the results across industries, urban areas and over time has become the major casualty. Sometimes, the results have even been contradictory and, consequently, provided little assistance in policy formulation (Kundu, 1993).

Faced with the hiatus between theoretical and empirical research on the one hand and non-comparability of the results of different micro-level investigations on the other, scholars have questioned the relevance of informal sector studies, describing these as academic exercises (King, 1990). Some have dismissed the boundary between formal and informal activities as theoretically tenuous and empirically non-testable (Richardson, 1985). Admitting the difficulties of assessing the macro dimensions of this sector and of making generalizations about its socio-economic characteristics, some scholars have argued that we can know the informal sector only when we see it. There has thus developed a general cynicism among many researchers and policy makers who have come to believe that conclusions of the informal sector studies are highly subjective, depending almost totally on the subjective judgement of the researchers. Consequently, these studies have not been considered useful for providing inputs in policy formulation or developing a support system for informal activities.

In view of this scepticism regarding the theoretical validity of the distinction between formal and informal sectors and, more importantly, usability of micro-level studies in policy formulation, it would be worthwhile to begin this paper with a critical review of this existing literature focussing on their approaches and databases for assessing the dimensions of the informal sector in India. The Population Census, Economic Census, National Sample Survey (NSS) and other periodic surveys conducted by the Central Statistical Organization (CSO), Government of India, generate very useful information that can be used to identify the broad trends and characteristics of the informal sector. An attempt has, therefore, been made here to critically analyse the problems of comparability in the database and assess the trends and patterns of growth of the informal sector at the national level using this data. The literature surveyed here comprises books and articles, proceedings of seminars, workshops and meetings, and government declarations, having a bearing on this sector. The review covers studies using both secondary as well as primary data. Strengthening of administrative and institutional support systems for the healthy and sustainable development of the informal sector has been a major concern in this paper.

The second section of the paper, which follows the present introductory section, discusses the various approaches for assessing the broad dimensions of the informal sector in India using available secondary data. In the third section, an attempt is made to identify trends and patterns in the informal sector at the national level based on the secondary data from diverse sources and research studies. Despite the problems due to differences and discrepancies in definitions and coverage by different sources, trends and patterns at the macro-level emerge quite clearly. The fourth section overviews the micro-level studies following a thematic approach, classifying these in three categories viz.: (a) industry specific studies, (b) locality specific studies, and (c) studies on the urban poor and slum populations. The last sub-section also overviews the studies pertaining to institutional interventions for organizing informal sector activities. The fifth section makes a critical evaluation of programmes and policies designed to strengthen the informal sector and overviews the studies analysing their impact. The sixth and final section presents generalizations and conclusions and analyses their policy implications for the future growth of the informal sector.

2. ALTERNATIVE APPROACHES FOR ANALYSING THE INFORMAL SECTOR IN INDIA AT MACRO- LEVEL

The importance of field based studies cannot be exaggerated in the present era of economic liberalization which has brought forth political decentralization as a concomitant necessity². Nonetheless, it is necessary to have a macro perspective for creating the right kind of policy environment and identifying the parameters of a support system that can promote sustainable and spatially balanced growth of the informal sector. Furthermore, it can be argued that the data available from secondary sources have not been fully exploited. Keeping these in view, an overview of the secondary data sources analysing their scope, coverage and problems of temporal and cross-sectional comparability have been presented below. It may be useful for readers to broadly familiarize themselves with these issues in order to appreciate the relevance and limitation of the framework presented in this section and the results discussed in the subsequent sections.

Data Sources for the Total Economy and the Organized Sector

Detailed data on the workforce structure for the total economy are available from the Population Census, Economic Census and NSS. Information on the employment structure for the total economy are available from the Population Census on a decadal basis. The General Economic Tables of the Census give information on the numbers of workers in various industrial and occupational categories at a very high level of spatial disaggregation, viz. settlement and even ward level for class I cities. The information is collected through a schedule canvassing households and individuals.

The other source of information for the total economy is the Establishment Tables, which is a by-product of the Houselisting Operation for the Population Census of 1961 and 1971, conducted during the year preceding the Census. Here one gets information on the establishments as well as workers therein at about the same level of disaggregation as the Population Census. The Economic Census was brought in to replace the Establishment Tables in the Census of 1981. The first Economic Census, however, was conducted during October-December 1977 by the CSO, restricting its coverage to non-agricultural enterprises employing at least one hired worker on a regular basis. It thus excluded own account enterprises (OAE) from its purview. The second Economic Census, was undertaken in conjunction with the Houselisting Operation for the Population Census of 1981, as noted above. This time OAE units were also covered. The third Economic Census, carried out along with the houselisting Operation of 1991 Population Census, provides similar information.

The third important source of statistics on workforce structure for the total economy are the NSS rounds pertaining to Employment/Expenditure. Data on workforce structure by National Industrial Classification (NIC) categories are available along with the nature of their involvement in work, viz. regular, casual and self-employed, on a quinquennial basis.

Two major sources of data for the organized or formal sector are Annual Survey of Industries (ASI) and Employment Market Information (EMI). ASI provides information on

² The process of liberalization has been associated with reduction of functions and consequently budgetary expenditures on various services by the federal government. For filling in the vacuum, thus created, it has become necessary to stipulate that the governments at lower level will take up these functions.

manufacturing, processing and repairing units registered under section 2m (i) and 2m (ii) of the Indian Factories Act of 1948, on an annual basis, with certain time lag. The units covered are those that employ 20 or more workers or 10 to 20 workers using power. The data permit a comprehensive analysis of the technology, factor shares, changing production conditions, etc., in different industries at the state level.

In the EMI scheme, employment exchanges gather data on secondary and tertiary units in the private sector employing 10 or more persons and all public sector units. These data are compiled on a quarterly basis by the Director General of Employment and Training (DGET). Private establishments employing 25 or more persons are obliged to provide this information under the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959. Information from the remaining private enterprises, employing 10 to 24 workers, are collected voluntarily from the employers. There are some inaccuracies in the figures due to non-response of some units, but that is not very serious. The real problem arises because the figures for the establishments are provided by local employment officers on the basis of the data furnished for previous quarters.

Data Sources for Different Components/Definitions of Informal Sector

The data on the informal sector, comprising the units not covered by ASI or DGET, are collected neither regularly nor systematically. Different agencies cover different segments of this sector but due to their using different concepts, sampling frames, etc., temporal comparability of the data is extremely difficult.

Information on workers in household manufacturing units is available from the Population Census/Economic Census. There are problems of temporal comparability in the data, but trends can be assessed using this data after making appropriate adjustments. Unfortunately, such data are not available for household tertiary activities.

Further, NSS gives comprehensive data on household industries since its 14th round held in 1958-1959. Subsequently, the 23rd, 29th, 33rd and 40th rounds of the survey have brought out information at the state level. The data, however, are not strictly comparable over time, even after making adjustments, because of the differences in coverage and changes in the criteria for identification pertaining to (1) the number of hired or family labour, (2) location of the units (within or outside the house), (3) type of ownership and (4) sampling frame, in different rounds.

In the enterprise surveys, NSS provides information on OAE that can be compared with that of household industries of the Population Census/Economic Census, as mentioned above. OAE are defined as enterprises "run without any hired worker employed on a fairly regular basis". Further, these NSS surveys cover the units employing five or less workers including the household workers, described as Non-Directory Enterprises (NDE). In the 33rd round for 1978-79, NDE units engaged in manufacturing (NDME), were covered. NDME comprised the units that, besides satisfying the employment criterion noted above, also had an annual turnover not exceeding rupees one hundred thousand per year. In the subsequent rounds, the output criterion has been dropped and NDME has been defined only in terms of size of employment. Also, the units employing six or more workers, but not registered under the Factories Act - categorized as Directory Enterprises (DE) - are covered by CSO in its periodic surveys. All these periodic surveys use the framework of the Economic Census and together are supposed to cover the entire gamut of unregistered enterprises on a regular basis.

Data on household based manufacturing workers are available at district and even settlement/urban ward level from the Population Census. The information is disaggregated as per the NIC. Unfortunately, the scope and coverage of these national level agencies are not strictly comparable. More disturbing is the fact that the concepts and coverage of the Census and NSS have not been kept uniform over time.

Yet another source of data is the Census of Small Scale Industries, conducted for the first time by its Development Commissioner in 1973-74. The coverage was restricted to units registered with the Directorate of Industries and thus excluded those falling within the purview of specialized boards or agencies. The information from the second Census of SSI conducted in the year 1988-89, which has similar coverage, have also become currently available.³

Assessing the Dimensions of Informal Sector

Researchers analysing the structure of the informal sector at the macro-level have mostly considered this to be a **residual category**. There are sources like the Population Census, Economic Census and NSS that give information on the number of workers, establishments, etc., for the total economy, classified as per NIC. Similarly, information on the organized sector are collected and brought out on a fairly regular basis by national level agencies specially created for the purpose, as per certain statutory requirements or well established conventions. The researchers have, therefore, found it convenient to deduct the figures for the organized sector from the total figures and obtain the data for informal or unorganized activities⁴. Understandably, following this residual category approach, information on the informal sector can be computed only for a limited number of variables for which the figures are available for the total economy. This information is, therefore, not as detailed as that for the organized or formal sector gathered by the national agencies as discussed above.

Two alternative ways of estimating the number of workers in the informal sector used by researchers and administrators, based on the approaches discussed above are presented below:

- (1) The units registered under the Factories Act, 1948, for which data are tabulated systematically by the ASI may be taken to constitute the formal manufacturing sector. The estimates for the informal manufacturing can, therefore, be obtained by subtracting the ASI (factory sector) figures from that of total manufacturing workers available from the Population Census, Economic Census or NSS. It is important to note that the national income from unorganized manufacturing activities is obtained by multiplying the productivity estimates by the corresponding number of workers. The figures for the latter for many industries are obtained by taking the difference between the number of workers from the Population Census and the ASI.

³ The insistence of a fixed premise for the household industries and establishments by all the national level data gathering agencies mentioned above tends to underestimate the unorganized sector. By their very definitions, these exclude the hawkers, vendors, etc., that may be an important component in repair, maintenance and trading activities.

⁴ Official literature in India identify the unorganized sector based on the criterion discussed below under the points 1 and 2 for manufacturing and tertiary sectors respectively. In academic studies, however, the terms unorganized and informal sectors have been used interchangeably (Breman, 1985).

- (2) The units covered by the DGET under EMI may be considered as belonging to the formal sector. The unorganized sector may then be obtained as a residual of the Population Census or NSS figures by subtracting the formal sector figures as reported by DGET. In activities like trade, hotels and restaurants, storage and warehousing services, the public enterprises are usually required to get registered and provide data on a regular basis to DGET. Consequently, all the units outside the public sector are taken to "constitute the unorganized segment on consideration of non-availability of regular accounts of their activity" (Sardana, 1989). This approach is followed by CSO⁵ in computing the employment figures used in the estimation of income for unorganized tertiary activities.

The residual approach discussed above has serious limitations as one can only get information basically on the number of units and employment through this. Also, one would not be very happy to treat all non-public sector enterprises outside manufacturing, including large business and transport houses, as a part of the informal sector simply because these are not covered under EMI. As a consequence, several scholars have attempted to estimate the figures for the informal sector at the macro level directly in recent years (Kundu and Lalitha, 1997; Shah, 1997; Duraisamy, 1997; Mitra, 1997).

Direct identification of the informal sector at the micro level using a large number of criteria is possible when the data is generated through surveys. However, if one is interested in identifying the informal sector on the basis of a simple criterion like employment size, use of only family labour or use of electricity, employment as also certain other broad characteristics at the national or state level can be obtained through available secondary data.

One can, for example, define the informal sector, in a rather narrow sense, as comprising enterprises carried out within the household, employing only family labour. This has been presented under (a) in the following sub-section. There are, however, other approaches that can be used for determining the size of the informal or unorganized activities directly at the macro-level, in a somewhat broad based manner. Despite the anomalies and discrepancies in the data, it is possible to assess the broad trends at national and state levels by using the approaches described below:

- (a) Household-based activities as identified by the Population Census and the NSS or the OAE given by NSS and the Economic Census may be taken to comprise the informal sector.
- (b) OAE and NDE, as defined by NSS and CSO may be taken to constitute this sector. Together, these would cover all units employing less than 6 workers.
- (c) The informal sector can be defined by combining DE with OAE and NDE, as given by NSS and CSO.
- (d) Small-scale industries may be taken as constituting the informal manufacturing sector as covered by the Development Commissioner of Small Scale Industries (DCSSI).

⁵ As per the official methodology, CSO computes the workforce in the unorganized tertiary sector by subtracting DGET figures from those of the Population Census. The income generated is then worked out by multiplying the workforce figures by value added per worker, estimated through surveys of CSO as in the case of unorganized industries.

The temporal profile of informal manufacturing activities has been assessed at the national level in the following section based on an analysis of the secondary data and a review of literature. In analysing the macro-level data, the first three approaches described above have been used. It has not been considered appropriate to take the small scale industries as constituting the informal sector since many among these are registered under the Factory Act and other Acts.

3. TRENDS AND PATTERNS OF DEVELOPMENT OF MANUFACTURING INDUSTRIES IN THE CONTEXT OF GROWTH OF THE URBAN INFORMAL SECTOR

It would be worthwhile to overview the developments within the manufacturing sector in urban areas before narrowing down the focus on the informal sector. Importantly, there has been a weakening of the industrial base in terms of the percentage share of the manufacturing sector in the total workforce, which occurred during the eighties. The decline is sharp for non-household manufacturing, from 26.0 per cent in 1981 to 23.2 per cent in 1991 for men, as per the Population Census (Table 1). There is a corresponding decline for women as well, from 14.6 to 14.1, but it is not significant (Kundu, 1997).

Table 1. Sectoral Distribution of Urban Main Workers as per Population Census

Sectors	Percentages					
	Male			Female		
	1971	1981	1991	1971	1981	1991
Cultivators	6.3	5.2	4.9	4.1	4.6	5.1
Agricultural Labourers	4.7	4.7	5.4	17.7	16.7	15.6
Forestry, Fishing, etc.	1.6	1.8	1.7	2.0	1.8	1.5
Mining and Quarrying	1.0	1.1	1.2	1.0	0.7	0.7
Manufacturing HH	4.4	4.2	2.5	10.0	10.4	7.5
Manufacturing NH	24.3	26.0	23.2	13.0	14.6	14.1
Construction	3.5	4.3	5.3	2.9	3.1	3.3
Trade and Commerce	21.4	21.3	23.7	8.2	8.9	10.0
Transport	10.7	10.0	9.2	3.2	2.2	1.9
Other Services	23.3	21.4	22.8	37.9	37.0	40.1

Source: General Economic Tables of Population Census (1971, 1981 and 1991).

Information from the Economic Census, too, indicates that the share of manufacturing in total urban employment is decreasing over time (Table 2). The percentage of manufacturing/repair workers (covering both own account units as well as other establishments) to the total non-agricultural workforce in urban areas is only 28.2 in 1990 which was as high as 35.8 in 1980. Expectedly, the growth rate of manufacturing employment during 1980-90 is low, viz. 13 per cent. This is less than the corresponding growth in both population and total employment.

A similar trend is observed from the employment data in different NSS Rounds (Table 3). Considering the usually employed persons (as per the principal and subsidiary status⁶), the percentage share of workers in manufacturing has come down from 27.7 in 1977-78 to 27.0 in 1983 and to 25.7 in 1987-88 for men. The figure came down further to 23.5 in the year 1993-94 as per the data from the 50th round (Visaria and Minhas, 1996; Kundu, 1997). In case of women, there has been a sharper decline – from 29.4 per cent to 24.1 per cent during this period – which should be a matter of serious concern.

Concerned with the deceleration of employment growth in the formal sector, scholars have suggested the informal sector as an alternative for employment generation. They have, however, argued that a sluggish growth of the formal sector would result in slowing down of the growth in the informal sector due to interlinkages between the two. It would, therefore, be useful to analyse the growth profile of the informal sector in recent years and identify the socio-economic factors behind that.

Taking a restricted definition of informal sector and identifying it only with household based activities, as mentioned above, one would report a substantial decline in its workforce in relative as well as absolute terms. The percentage share of household manufacturing to total workforce has gone down from 4.4 in 1971 to 4.2 in 1981 and then drastically to 2.5 in 1991 for males, as per the Population Census (Primary Census Abstract). The corresponding figures for females are 10.0, 10.4 and 7.5 (Table 1). The total number of household manufacturing workers (male and female) has gone down in absolute terms during 1981-91: from 2.4 million to 2.0 million (Table 4). The data from the Economic Census, too, indicate that there has been a fall in employment in manufacturing enterprises employing no hired workers, (described as 'own account manufacturing

⁶ The definitions of the concepts used in the National Sample Survey Organization (NSSO) for generating employment data are as follows:

Employed by Usual Status: Persons engaged in economic activities for "a relatively longer period" during the reference period of one year preceding the date of survey.

Employed by Weekly Status: Persons engaged in economic activities for at least one hour on any one day during the reference period of one week preceding the date of survey.

Employment by Daily Status: Persons engaged in economic activities for 1-4 hours on any day during the reference period of one week preceding the date of survey are considered as employed for half of the day. Those working for more than 4 hours are considered as employed for the whole day viz. two half days, since the unit of measurement is half day. The total person days of employment by daily status are obtained by aggregating all the employed half days.

Work participation rate (WPR) by the first two concepts would be the ratio of the total employed to the number of persons. The WPR by daily status, on the other hand, is the percentage days of work reported to the total number of days of the relevant population.

Table 2: Sectoral Distribution of Urban Workers in Non Agricultural Enterprises as per Economic Census (Number in '00)

Major activity group	1980		1990	
	OAE	ESTT	OAE	ESTT
1. Mining and Quarrying	51 (0.07)	998 (0.45)	68 (0.08)	1 634 (0.55)
2. Manufacturing and Repair Services	24 024 (35.15)	78 384 (35.69)	19 277 (21.80)	88 794 (30.00)
3. Electricity, Gas and Water	23 (0.03)	2 367 (1.08)	28 (0.03)	2 408 (0.82)
4. Construction	673 (0.98)	1 647 (0.75)	925 (1.05)	1 783 (0.61)
5. Wholesale and Retail Trade	30 073 (44.00)	28 703 (13.07)	42 043 (47.75)	46 723 (15.86)
6. Restaurants and Hotels	2 988 (4.37)	9 644 (4.39)	3 768 (4.28)	12 441 (4.23)
7. Transport	1 831 (2.68)	7 753 (5.53)	2 335 (2.65)	7 391 (2.51)
8. Storage and Ware Housing	500 (0.73)	2 010 (0.92)	845 (0.96)	3 077 (1.04)
9. Communications	6 (0.01)	3 192 (1.45)	29 (0.06)	4 015 (1.36)
10. Financing, Ins. Real Estate, Business Services	1 214 (1.78)	11 394 (5.19)	1 871 (2.13)	18 541 (6.30)
11. Communication, Social and Personal Services	6 765 (9.90)	69 567 (31.68)	16 809 (19.09)	107 135 (36.38)
12. Others	200 (0.30)	3 954 (0.04)	36 (0.04)	507 (0.17)
Total	68 348 (100.00)	219 613 (100.00)	88 034 (100.00)	294 454 (100.00)

Note: Figures in brackets represent per cent share to total employment.

Source: Economic Census (1980 and 1990).

Table 3: Sectoral Distribution of Usually Employed Persons (Principal and Subsidiary Status) in Urban Areas as per NSS (percentages)

Sector	Male				Female			
	1977-78	1983	1987-88	1993-94	1977-78	1983	1987-88	1993-94
Agriculture (0)	10.2	10.3	9.1	9	25.1	32	29.4	24.7
Mining and Quarrying (1)	0.9	1.3	1.3	1.3	0.6	0.8	0.8	0.6
Manufacturing (2&3)	27.7	27	25.7	23.5	29.4	27.1	27	24.1
Electricity (4)	1.1	1.1	1.2	1.2	0.1	-	0.2	0.3
Construction (5)	4.2	5.2	5.8	6.9	2.6	3.3	3.7	4.1
Wholesale/Retail Trading (6)	21.6	20.2	22	21.9	9.8	9	10	10
Transport, Storage, etc. (7)	9.9	9.9	9.7	9.7	1.2	1.6	0.9	1.3
Financial, Investment Services (8)	3	3.5	3.5	3.8	0.7	0.4	1.2	1.9
Community, etc. Services (9)	21.5	21.4	21.7	22.6	30.4	25.8	26.6	33.1

Source: NSSO (1988, 1994 and 1996).

enterprises' (OAME) by the NSS), from 2.3 million in 1980 to 1.9 million in 1990 in urban areas (Table 2). Its share in total manufacturing employment has decreased from 23.9 per cent to 17.8 per cent. The decline in the share of employment in household manufacturing apparently reflects a decline in traditional informal activities. Furthermore, workers doing subcontracted jobs for larger industrial units have become an important phenomenon in recent years. These people either do not get enumerated or may identify themselves as tertiary workers.

NSS data on workforce structure unfortunately do not give the break-up of manufacturing workers by household and non-household units (Table 3). Information on workers in informal manufacturing enterprises is, however, available from the enterprise surveys of NSS⁷ and is presented in Tables 4 and 5. These figures indicate a deceleration in the growth rate of the unorganized manufacturing sector in urban areas.

⁷ The estimates given under (a) or (a*) in Table 4, cover only the household based or own account enterprises. These estimates, generated through different sources, are not strictly comparable. What is more important, these significantly underestimate the informal activities since the activities carried out outside the households or employing any hired labour are excluded. The estimate (b) from the Population Census (Establishment Tables) or Economic Census is derived by including only the units employing five or less workers. This would roughly be comparable with the figures for OAME and NDME obtained from the 33rd and 40th round of NSS given in (b*). The estimate (c) has still larger coverage, as it includes all units employing less than ten workers.

Table 4: Units and Workers in Manufacturing and Repair Activities in the Unorganized Sector (in million)

Sources	Units			Workers			
	Rural	Urban	Total	Rural	Urban	Total	
<i>Population Census, 1971</i>							
I Primary Census Abstract	-	-	-	4.8	1.6	6.4	
(1) Establishment Tables	(a)	1.69	0.39	2.08	2.93	0.87	3.80
	(b)	2.15	1.04	3.19	3.57	2.11	5.68
	(c)	2.23	1.16	3.39	4.20	3.00	7.20
<i>Population Census, 1981</i>							
I Primary Census Abstract	-	-	-	5.5	2.4	7.9	
II Economic Census	(a)	3.28	1.36	4.65	5.70	2.40	8.11
1980	(b)	3.67	1.91	5.58	6.60	3.97	10.57
	(c)	3.83	2.14	5.97	9.86	10.23	20.10
<i>Population Census, 1991</i>							
I Primary Census	-	-	-	4.8	2.00	6.8	
II Economic Census	(a)	2.78	1.02	3.80	5.08	1.93	7.01
	(c)	3.43	1.92	5.35	11.01	10.81	21.82
<i>National Sample Survey</i>							
14 th Round 1958-59		10.83	2.17	13.00	12.63	4.21	16.84
23 rd Round 1968-69		6.57	2.00	8.57	9.99	3.93	13.92
29 th Round 1974-75		6.49	2.32	8.81	10.27	4.64	14.91
33 rd Round 1984-85	(a)*	5.72	1.45	7.17	9.22	2.40	11.62
	(b)*	6.23	1.91	8.13	10.62	3.78	14.42
40 th Round 1984-85	(a)*	13.44	3.65	17.09	21.91	5.32	27.23
	(b)*	14.46	4.78	19.24	24.27	7.97	32.25
45 th Round 1989-90	(a)*	11.28	2.82	13.10	19.53	4.98	24.51
	(b)*	12.01	3.71	15.79	21.70	7.91	29.61

Notes :

1. The all India figure for the year 1991 from the Population Census include the estimated value for Jammu and Kashmir where the Census could not be conducted. The same method has been used in the case of the Census estimate of 1981 for Assam.
2. The figures within brackets for 1981 include marginal workers, the estimates of which are not yet available for 1991. The 1961 and 1971 census did not canvass the concept of main and marginal workers.
3. Economic Census (1980 and 1990) based estimates (a), (b) and (c) are roughly comparable with the corresponding figures from the Establishment Tables of 1970. The figures for Own Account Enterprises, may be treated at par with the Household Industries and their figures are given in (a). The estimate (b) is obtained by taking the units with less than six workers and estimate (c) is for units with less than 10 workers.
4. Two estimates have been obtained from the NSS data. The estimate (a) include only the "own account enterprises" and may therefore be conceptually comparable with that of household industries. The estimate (b) has been obtained by adding the figures of own account enterprises with those of non-directory units to make it comparable with estimate (b) from Establishment Tables.

Table 5: Units and Employment in OAME and NDME in Urban Areas

Year	No. of OAME	Total Employment OAME	No. of NDME	Total Employment NDME
1978-79	1 452 781	2 397 089 (1.65)	453 256	1 382 431 (3.05)
1984-85	3 648 124	5 315 201 (1.46)	1 133 631	2 537 026 (2.24)
1989-90	2 822 112	4 985 218 (1.77)	889 430	2 937 381 (3.30)

Note: Figures in parentheses are employment per enterprise. The data are taken from NSSO (1988 and 1994).

The number of OAME units has more than doubled during the period from 1978-79 to 1984-85 (referred to as the first period in the subsequent discussion), as may be seen above. During the second period viz. between 1984-85 and 1989-90, however, the number has decreased by 22.6 per cent. Correspondingly, the employment in OAME which had increased by 121.7 per cent in the first period, went down by 6.2 per cent.

A similar picture emerges for NDME as well. The number of NDME units more than doubled and employment therein increased by 83.51 per cent during the first period. This may be attributed only marginally to the modification in the definition, viz. dropping off of the output ceiling on NDME, in 1984-85. Indeed, the number of units producing goods worth over rupees one hundred thousand per year, excluded as per the definition in 1978-79, is unlikely to be large enough to effect the results significantly. In the second period, however, the number of NDME units decreased by 21.5 per cent although employment increased by 15.7 per cent. The growth rate of employment by considering both OAME and NDME together works out to be less than 1 per cent, which is much less than the growth of the urban workforce during the second period.

The growth rate of employment in informal manufacturing would be still lower if units of the Directory Manufacturing Enterprises (DME) are also considered to be a part of the informal sector. Based on all of these data, one would argue that the employment generating capacity of the informal manufacturing sector in urban areas has declined in recent years as compared to the earlier period. This is a significant conclusion as it questions the thesis regarding very high labour absorptive capacity of the manufacturing units in informal sector. The decline can be attributed in part to the various restrictive policies of the Government barring the industrial units from coming up in or around urban centres. Also, one may hypothesize that the incentive schemes designed for the small-scale industries are not reaching units that belong to the informal category.

The decline in the share of employment of the manufacturing sector and slowing down of the growth in informal manufacturing employment in urban areas would explain, at least partially, the deceleration in the rate of urbanization and of rural-urban migration during eighties. This decline seems conspicuous since the income from industries has grown by over 7.0 per cent annually in this period. All these can be explained by the fact that much of the growth is due to the

formal sector industries, particularly the units registered under the Factories Act, that have not seen any significant employment growth. Also, the informal sector has low labour productivity, which has not increased much in the eighties, as will be discussed below. Disparity in productivity within the manufacturing sector has, thus, gone up over the years.

A detailed analysis of the data from NSS indicates that along with the positive growth in number of units and employment, value added per enterprise in real terms had increased both for OAME and NDME during 1978-84. In the subsequent five-year period, however, there has been a reversal of the trend. The slump in the informal sector is reflected in an adverse trend in the indicators of economic performance such as value added, working capital and fixed capital per enterprise (or per worker) in several industries (Kundu and Lalitha, 1997). As a consequence, a large number of units have closed down or merged with other units. No attempt has, however, been made here to compute the employment elasticities due to lack of reliability and violent fluctuations in the value added estimates.

The number of units and employment in some of the informal enterprises have, however, gone up despite a decrease in value added in the late eighties (Kundu and Lalitha, 1997) which appears to be an enigma. Why should the entrepreneurs go into industries or employ additional workers in activities that are doing badly in terms of productivity? This could partly be attributed to under reporting of value added/earnings due to administrative and legal constraints. Other deficiencies in the database can also provide only a partial explanation for this phenomenon. What, however, seems more likely is that people are continuing in their traditional or family occupations irrespective of considerations of earning or value added in per capita terms.

It is important to mention here that employment in informal manufacturing, despite a deceleration, has increased over the years in relation to that in the formal sector. This is because growth of employment in organized manufacturing industries has been negligible, indeed negative during the late eighties and early nineties. Further, the data suggest that informal sector comprising both manufacturing as well as tertiary activities as a whole, has gone up in urban areas. This can be inferred from the NSS data in the latest three employment surveys, as will be discussed below.

The data on total workers by different definitions viz., usual, weekly and daily status and their classification into different categories, viz. regular, casual and self-employed, corroborate the above proposition. The growth rate of employment by usual status has gone down during 1977-1993, as reflected in a decrease in workforce participation rate (WPR) for the adult (age group 15-59) population (Kundu, 1997). The trend remains the same even when the marginal workers or people with a subsidiary occupation are included in the workforce.⁸ When we consider the period 1987-93 only, the decline in WPR in the adult age group emerges more sharply both for men and women in almost all age groups.⁹ This can be explained in terms of sluggish growth in employment in the formal sector. Surprisingly, however, WPRs by current (weekly and daily)

⁸ Population Census data also indicates a declining WPR for men during the period 1981-91. For women, however, Census reports an increase in WPR which, at least partially, can be attributed to a better coverage of women workers in the 1991 Census.

⁹ It needs to be mentioned that there was a severe drought in 1987-88. This would explain the low WPR both for males and females in the urban areas as many activities here are linked to agriculture. A rise in WPR during 1987-93 can, therefore, be attributed, at least partially, to the drought situation in the base year.

status have gone up significantly during the two overlapping periods noted above (Table 6). This is valid not only for males, but also for females. It is, thus, evident that the period from 1977-78 to 1993-94 is characterized by opposing tendencies in the labour market. While the usual status employment rate has declined, those by current status moved up. All these reflect increase in the volume of casual and part time work which may reflect casualisation of manufacturing and tertiary sectors.

The percentage of unemployed persons (person days) to the total labour force (labour days), however, has gone down during the above mentioned periods (Kundu, 1997). This emerges clearly in all three concepts of employment canvassed by NSS. The decline, nonetheless, is relatively high by weekly and daily status as compared to the usual status. This, once again, is a clear indication of an increase in part time and short duration work for the labour force, reflecting informalization of the urban economy. One may infer that a number of households have been forced into poverty and are sending more of their members to seek or create employment for themselves as a part of their survival strategy in recent years. One must, nonetheless, admit this could be part of a long-term trend in the economy and cannot specifically be attributed to official launching of programmes of structural adjustment.

Table 6: Percentage of Workers in Different NSS Rounds by Current Weekly and Current Daily Status

Years	Urban Male		Urban Females	
	Weekly Status	Daily Status	Weekly Status	Daily Status
<i>All Ages</i>				
1977-78	49	47.2	12.5	10.9
1983	49.2	47.3	11.8	10.6
1987-88	49.2	47.7	11.9	11
1993-94	51.1	49.8	13.9	12
<i>Age Group 15-39</i>				
1977-78	78.6	75.7	19.6	17.1
1983	78.3	75.2	18.4	16.5
1987-88	77.3	75.1	18.5	17
1993-94	78.2	76	20.9	18.1

Source: NSSO (1988, 1990 and 1996).

There have been changes in structure of workforce during the seventies, eighties and early nineties in urban areas. A clear declining trend in the share is observed in the case of regular/salaried workers as a proportion of total male workforce. It is casual and self employment that has grown with a consequent decline in the share of regular/salaried workers (Table 7). This is in conformity with the result that the WPR for adults by daily and weekly status has increased on the face of its decline by usual status. The share of casual workers among females, too, has gone up. All these may be taken to reflect a process of immizerization since the incidence of poverty among casual workers is very high.

For females, however, the percentage of regular/salaried workers to total (female) workers has moved up from 24.9 per cent in 1977-78 to 28.6 per cent in 1993-94. This increase has corresponded with a decline in the percentage of self-employed workers. It can be argued that the current system of subcontracting of work in the urban economy is such that a large number of female workers are not being reported in the self-employed category. They are getting work - whatever may be the wage rate or working conditions - on a more regular basis. This reflects a significant change in the organization of work and growing incidence of subcontracting of jobs to the informal sector. This is true to a certain extent for the males as well, but here the process of casualisation and growth of self-employed is so strong as to offset any increase in regular workers due to subcontracting arrangements, as argued above.

Table 7: Percentage of usually employed persons by type of employment

Year	Usually Employed					
	Principal Status			Principal + Subsidiary Status		
	Self-Employed	Regular Employees	Casual Labour	Self-Employed	Regular Employees	Casual Labour
<i>MALES</i>						
1977-78	39.9	47.2	13.9	40.4	46.4	13.2
1983	40.2	44.5	15.3	40.9	43.7	15.4
1987-88	41	44.4	14.6	41.7	43.7	14.6
1993-94	41.1	42.7	16.2	41.7	42.1	16.2
<i>FEMALES</i>						
1977-78	42.2	30.8	27	49.5	24.9	25.6
1983	37.3	31.8	27	49.5	24.9	25.6
1987-88	39.3	34.2	26.5	47.1	27.5	25.4
1993-94	36.4	35.5	28.1	45.4	28.6	26

Source: NSSO (1998 and 1996).

The volume of work for the usually employed persons in urban areas gives further insight into the functioning of the labour market. Out of every 100 usually employed males, only 96 were employed by weekly status in 1983 (Table 8). The figure has gone up to 98 in 1993-94. For females the increase is much sharper - from 77 to 88. Correspondingly, the percentage of unemployed by weekly status (to all usually employed persons) has declined from 1.7 to 1.1 for males. For females, the decline is from 1.5 to 0.9. Similarly, the number of employed persons by daily status among 100 usually employed persons has gone up from 92 to 95 among males (Table 9). For females, once again, it has moved up more sharply - from 70 to 77. The percentage of unemployed by daily status has gone down correspondingly both for males and females. All these tend to suggest that the volume of work available to usually employed persons on daily or weekly basis has increased substantially in recent years. This can be taken as yet another manifestation of casualisation of the urban economy.

Table 8: percentage distribution of usually employed persons (by principal and subsidiary status) as per their current weekly status in urban India

Weekly status	Male			Female		
	1983	1987-88	1993-94	1983	1987-88	1993-94
Employed	95.8	96.7	97.6	76.7	76.8	88.4
Unemployed	1.7	1.7	1.1	1.5	1.7	0.9
Not in labour force	2.6	1.6	1.2	21.8	21.5	10.7
All	100	100	100	100	100	100

Source: *Employment and Unemployment in India: 1993-94*, National Sample Survey, 50th Round, Department of Statistics, Government of India, New Delhi.

Table 9: Percentage distribution of persons-days of usually employed persons (by principal and subsidiary status) as per their current daily status in urban India.

Weekly status	Current					
	Male			Female		
	1983	1987-88	1993-94	1983	1987-88	1993-94
Employed	92.1	93.8	94.9	70.1	71.6	76.6
Unemployed	4.1	3.7	2.7	3.8	3.7	2.4
Not in labour force	3.8	2.5	2.5	26.1	24.7	21
All	100	100	100	100	100	100

Source: NSSO (1988, 1990 and 1996).

Increase in the share of regular/salaried workers for adult women, decline in their unemployment rate, etc. in urban areas must be interpreted with caution. One should not be enthusiastic in welcoming these as indications of growing capacity of the urban economy to absorb women labourers or a reduction of gender bias. Such generalizations, without an in-depth analysis of the dynamics of development can be misleading. The mere fact that an increasing proportion of female workforce now belongs to a regular category is not a matter of great satisfaction. Indeed, employment growth for women during the eighties and early nineties has taken place in sectors with low productivity and low wage rates (Kundu, 1993). In fact, in quite a few of the urban sectors, **regular** female workers are paid about the same as male **casual** workers.

The wage rates at current prices for regular and casual workers reflect a sharp disparity across sectors and between males and females (Kundu, 1993). Importantly, the real wages for both salaried as well as casual workers have gone up during 1983-88 as well as 1988-94 in most sectors in the urban economy. The annual growth rate in real wages of all regular workers, however, is much less during the second period compared to the first, both for males and females (Table 10). The increase for male salaried workers is 1.3 per cent per year during 1988-94 while the figure for 1983-88 was as high as 6.3 per cent. For females, the corresponding figures are 0.6 and 9.2. An identical pattern emerges for casual workers as well. Strikingly, the percentage growth rates for wages of casual workers are 1.6 and 2.9 for males and females during the second period. These are much less than those noted for the first period. One would, therefore, infer that the growth in average earnings has decelerated substantially during the second period which may partly be associated with the programmes of structural adjustment.

It may be observed in Table 10 that there are sectors wherein the wages for the casual workers have gone down in real terms during 1988-94. For males, the decline is significant viz. about one per cent per year, for "Other Services" viz. Div. 8 and Div. 9 of NIC, and less than half a per cent for Mining and Quarrying. In case of Trade and Manufacturing, the growth rates are positive, but very low. For the regular (male) workers the real wages have not gone down in any sector, although the growth rates in the second period are substantially below those of the first period. A sharp decline in the growth rate of real wages is discernible in sectors like Trade, Transport, Construction and even Manufacturing. This can possibly be explained in terms of greater heterogeneity among workers due to subcontracting of jobs and lower wages being paid to (regular) subcontracted workers in the nineties.

The decline in real wages for casual female workers is reported for the division 8 of Other Services (as in case of males) during 1988-94. A more substantial fall, however, is in Transport sector, namely 4.4 per cent per year. Surprisingly, the decline as far as women workers are concerned is not restricted only to casual workers. The real wages for regular/salaried workers had gone down in Trade during 1983-88 while in the subsequent period, a similar trend was observed in Construction and Transport.

Notably, the gap between the wages of regular and casual workers at current as well as constant prices was noted to have increased during 1983-88 both for males and females (Kundu, 1993). This can be explained in terms of casual work being generated at a low wage rate due to excess labour supply. Importantly, however, the gap has declined significantly during 1988-94 for females. For males, the decline is only marginal. This is primarily due to the fact that the increase in the wages of regular/salaried workers has been low in real terms during 1988-94. The most significant phenomenon is that the growth in real wages for regular female workers is about half

Table 10. Annual compound growth rates of real wages for adult (15-59 age group) regular/salaried and casual workers in different sectors

Sectors		Regular/Salaried Workers		Casual Workers	
		1983-88	1988-94	1983-88	1988-94
<i>M A L E S</i>					
Agriculture	(0)	11.4	1.2	3.1	2
Mining and Quarrying	(1)	7.6	2.8	-0.2	-0.4
Manufacturing					
a. Agro linked	(2)	2.8	1.6	4.7	1.4
b. Others	(3)	5.3	0.5	-1.5	1.5
Electricity	(4)	5.8	2.5	3.2	5
Construction	(5)	5.6	0.7	3.3	1.8
Trade	(6)	3.1	1.8	3.7	1.2
Transport	(7)	5.8	0.6	3.4	2.1
Other Services					
a. Financial	(8)	4.7	2.6	3.8	-0.9
b. Community	(9)	7.6	1.4	7.8	-0.9
All		6.3	1.3	3.3	1.6
<i>F E M A L E S</i>					
Agriculture	(0)	8.5	6	2.8	3.9
Mining and Quarrying	(1)	9.9	2.6	10.7	1.9
Manufacturing					
a. Agro linked	(2)	4.4	4.9	5.3	1.9
b. Others	(3)	0.4	0.3	9.5	0.9
Electricity etc.	(4)	2.6	2.8	-	4
Construction	(5)	4.8	-3.7	5	3.2
Trade	(6)	-1.3	5.2	1	6.2
Transport	(7)	10.2	-1	6.7	-4.4
Other Services					
a. Financial	(8)	6	2.1	22.2	-0.4
b. Community	(9)	9.8	0.1	5.9	2.9
All		9.2	0.6	5.3	2.9
Note: The figures within the brackets are the code numbers by National Industrial Classification (1990) of the Government of India.					

a percentage point only, as mentioned above. One can attribute all these to a large part of regular employment being generated within the informal sector at a low wage rates particularly for females.

The specific features of employment growth during 1988-94, as discussed above, were noted by the scholars analysing the data for the period from 1983 to 1987-88 as well. The WPR by usual status was observed to have declined while that by current status had gone up. Further, there was a distinct increase in the amount of work available to usually working persons. All these were attributed to a slower growth in jobs available on a regular basis in the organized sector and increase in part-time or casual work in informal activities (Planning Commission, 1991; Mundle, 1991).

Alarmed by these trends, the Planning Commission (1991) had pleaded for "the adoption of an employment oriented strategy" in the Eighth Plan. Acceleration in the growth rate of employment was considered to be the prime concern for the economy. Clearly the trend has continued through the nineties, as discussed above¹⁰. It is a bit surprising that no word of caution has been expressed by the planners with regard to the pursuance of the present strategy of development in the Ninth Plan and its employment implications. What is needed is a shift in the thrust of development in favour of informal activities at a reasonable level of productivity during the transitory period of structural adjustment.

4. A THEMATIC OVERVIEW OF MICRO-LEVEL STUDIES ON THE URBAN INFORMAL SECTOR

There has been an upsurge of interest in micro-level studies on the urban informal sector in recent years. These are mostly carried out at the level of a city or a segment of it, covering a sample of industrial establishments, household based enterprises or activities requiring no fixed location. It is believed that identification of informal sector units at the micro-level using multiple criteria, based on Census or NSS data, is an impossible task. Further, any assessment of the size of the informal sector directly through the enterprise surveys of NSS or CSO, covering OAE, NDE and DE, would be gross underestimation, at any level. This has forced researchers to go in for primary surveys. Scholars have argued that it is only through household based surveys that one can hope to capture the entire gamut of informal activities (Datar, 1986; Singh, 1990). Importantly, some of the informal workers are employed by formal enterprises (through sub-contracting) who can only be captured through these household surveys (Unni, 1997).

There are serious problems with regard to the micro-level studies as well. The concepts, coverage and framework of these studies, being determined by the individual researchers or their sponsoring agencies, it is difficult to compare the results and draw macro-level inferences regarding the emerging pattern. It would, nonetheless, be worthwhile to review these studies to get an idea about the nature, changing characteristics and socio-economic correlates of the informal sector since one cannot get such a perspective from studies based on secondary data.

¹⁰ The unemployment rate in the year 1993-94 has declined not only in comparison to that of 1987-88 which was a drought year but also a normal year like 1983.

Another important point is that while the analysis of secondary data in the macro analysis had to be confined to the manufacturing sector only, the overview of research at micro-level has a larger canvas, covering a number of tertiary sector studies. This discrepancy can be explained in terms of the nature of the database and available research studies. The information on informal activities within tertiary sector, particularly from NSS, are highly unreliable and have been built up using definitions that do not find general acceptability. These problems, however, do not exist for field level studies. The keen interest in tertiary activities within the informal sector at this level is due largely to its massive growth in recent years, as noted above. This can also be explained in terms of tertiary activities being perceived by a section of researchers and policy makers as a nuisance due to their proliferation in residential areas, including the posh colonies. On the other hand, many consider these as providing a lifeline for urban living and advocate subsidizing it indirectly. In any case, the tertiary informal sector has been considered to be of immense importance for future urbanization in the country.

In the present overview the studies have been grouped into three categories. Those pertaining to a specific industry or occupation have been put in the first category. Those covering all informal activities in a city or a locality belong to the second. The third category comprises research, not directly focussed on the informal activities, but analysing the conditions of the urban poor and slum dwellers. The last category is considered to be important for this overview since many of the studies on the urban poor give considerable emphasis to their economic activities that mostly belong to the informal sector.

Industry/Occupation Specific Studies

An overview of the existing literature suggests that certain activities have attracted the researchers much more than others, owing to their low productivity, low capital stock, exploitative labour relations, etc. These are (1) building construction, (2) *rickshaw* pulling, (3) hawking and vending, (4) textile and garment related activities, (5) carpet making, (6) *beedi* making and (7) garbage collection.

These studies generally attempt to locate the place of work and residence and often present a rough distribution of enterprises engaged in the concerned activity within the city. The nature of production or servicing units, ownership pattern, number of hired workers if any, capital invested, etc., are also analysed in some detail. Except textile and transport industries, wherein the initial capital investment is high (and so is the percentage of workers not owning their "enterprises"), capital requirements are very small and the workers are mostly self-employed in informal activities (Bhattacharya and Dey, 1991; Krishnaraj, 1987).

Researchers have enquired into the issues pertaining to seasonality of employment and earnings per day or per month in a somewhat approximate manner (Romatet, 1983; Samal, 1990). Low productivity, uncertainty and irregularity of employment are the major problems identified in this sector. The studies reveal that employment is often limited to much smaller number of days than that for which the work is sought. The strong competition among hawkers, vendors, garbage collectors, transport operators (*rickshaw* pullers), etc., brings down their earnings often below the statutory minimum wage (AMDA and CMDA, 1995). Non-availability of marketing facilities to the producers (Kale, 1985) and absence of bargaining capacity through unions among the wage earners have been noted as important reasons for their low "efficiency". However, in the metro cities like Mumbai, Delhi, Ahmedabad, etc., researchers have reported household earnings above

the poverty line even for hawkers, vendors and rickshaw pullers (Deshpande, 1983; TCPO, 1983; Kashyap, 1984).

The studies have often looked into the age-sex composition and migratory behaviour of the workers (Arunachalam and Azad, 1985; Banerjee, 1983). It is argued that a large number of current or short duration migrants find employment in the informal sector (McGee, 1982; Das, 1994). Also, the workforce in this sector is very young, dominated by people in the age group of 15 to 35. Most occupations are selective of adult males except vending, *beedi* making and garment making. However, in recent years, there has been an increase in job opportunities for females in several activities. This helps to explain the increase in the female-male ratio in urban areas in the eighties and nineties. Unfortunately, these activities tend to be highly exploitative of their labour force.

The level of literacy or skills among workers in most of the activities is reported to be very low. This is true for both migrant as well as non-migrant workers. Surprisingly, however, several studies show that formal training does not increase the income generating capacity of workers (Von der Loop, 1988). Rather, it is on-the-job training and the number of years spent in an activity that makes a difference to income.

There are not many Non-Governmental Organizations (NGOs) or Community Based Organizations (CBOs) to make them aware of their rights and privileges (Ghosh, 1990; Sanyal, 1991). This reduces their accessibility to institutional support of any kind. Except in activities or localities wherein the involvement of these organizations is significant, the availability of institutional finance has been negligible.

In some of the activities, however, there is a healthy process of skill formation leading to improvement in the earnings and living conditions of the workers. Some scholars have identified certain informal activities as dynamic - opting for modern technology, high rate of capital formation, etc., resulting in an increase in labour productivity (Singhania, 1997). These may have linkages with the formal manufacturing sector, often catering to regional and national markets (Ribeiro, 1993; Singh, 1997). It is, however, difficult to distinguish these dynamic units which are showing distinct signs of improvement over the years, from ancillary units, established by large enterprises. The share of these units in the total informal sector in terms of number of units or employment would be very small. Nevertheless, the studies indicate that there is considerable heterogeneity within the informal sector.

Most of the studies report unhygienic working and living conditions of informal sector workers. Their access to basic amenities is extremely poor. The government programmes designed for their betterment, unfortunately, seem to have bypassed a large majority of them. The conditions have deteriorated further in recent years with the increasing segmentation of the cities into formal and informal settlements. Some scholars have explained it in terms of withdrawal of the state and decline in public expenditure on social sectors.

Drawing inferences and making generalizations based on the results of the micro-level studies could be hazardous. For example, one can mention the case of sporting goods industry in Meerut, a class I city¹¹ in Uttar Pradesh. A study conducted in the late seventies found that capital

¹¹ Urban Centres having population of one hundred thousand or more are classified as class I cities by the Population Census of India.

investment per unit was Rs. 70,000. (Sharma and Singh, 1980). The corresponding figure in the mid-eighties, however, was Rs. 8,000 (Lall, Hazra and Sharma, 1988). Evidently, this is due to differences in the concepts and coverage which is difficult to resolve without having access to the unpublished information regarding the questionnaire, sampling frame, etc.

City or Locality Specific Studies

Several scholars have chosen to focus on a city or a locality and to cover all the informal activities located therein, hence covering a wide range of commodities and services. The cities/localities selected are generally those having a large concentration or rapid growth of informal activities. Simple criteria such as the number of employees or registration with a local or state authority have usually been used in determining the coverage or size of the universe (Swaminathan, 1991; Mazumdar, 1976; Buch and Pathak, 1985).

These studies have taken up most of the issues raised above regarding industry specific research (Mathur and Moser, 1984). The conclusions, too, have been similar. However, as these studies covered activities in two or more industries, it has been possible to make interactivity or interindustry comparisons of the working and living conditions, organizational structure, migratory behaviour, age-sex composition, etc., of the workforce (Papola, 1981). In addition, certain dimensions such as linkages among informal activities or between formal and informal units have also been investigated. Dupont (1995), for example, has highlighted the segmentation of the labour market based largely on non-economic criteria and highly exploitative conditions for certain categories of workers in Jetpur town. These studies tend to suggest that a number of informal manufacturing units owe their existence to subcontracting of jobs on a piece-meal basis by formal industries (Nagraj, 1984; Venkata Ratnam, 1997). The informal units, it is argued, thus complement and subsidize the formal sector of the economy (Subrahmanian, Veena and Bhanumati, 1982). This is basically due to informal sector workers undercutting their wages and supplying their products and services at extremely low rates, owing to their excess supply in a fragmented labour market (Breman, 1996; Gill, 1994). Thus, by accepting wages below subsistence requirements, they are "forced to subsidize" formal enterprises.¹² Another study of Bhadohi town by Singh (1990) substantiates the above proposition. The study shows that the traditional carpet industry is organized by merchant-manufacturers as putting-out work to domestic weavers on highly unfavourable terms. Similarly, in the *beedi* industry of Mysore, there has been a changeover from workshops to a putting-out system (home based) to avoid any possible strike by the workers.

Studies on the Urban Poor and their Activities

Studies on the urban poor or slum dwellers constitute the third category in this section. These are not focussed on the informal sector per se, but raise broader socio-economic issues and have looked into aspects of employment generation, earnings, conditions of work, etc., of the sample households. A few of these have been sponsored by government agencies before launching certain schemes or for evaluating the impact of schemes already in progress or recently

¹² Breman (1996) argues that piece-work is a manner of contracting under which the employer persuades, or in effect forces the labourers to determine their own input and to vary it in length and intensity according to their working ability.

completed.¹³ Besides these, several individuals/institutions have taken up research on poverty or slums that have provided additional useful insights into the functioning of informal activities.

Most of these studies highlight the low income levels and non-availability of basic amenities and infrastructural facilities to the production units set up by the urban poor (Banerjee, 1982; Alam, Alikhan and Bhattacharji, 1987). Some studies bring out how the public agencies and government programmes have by-passed the units. The production units often do not have access to these programmes since they are not registered with any public agency and hence cannot satisfy the administrative and legal requirements (Kundu, 1993). The need to legalize or legitimize many of the activities of the poor, for example by extending land tenure, subsidized finance and critical raw materials, etc., have been underlined by several scholars and activists (Bhatt, 1988 and 1989). New legislation, unionization and provision of institutional support to organize marketing of their products, etc., have been recommended to tackle the problem of labour exploitation (Harriss, 1982; Nambiar, 1995).

Institutional Interventions for Organizing Informal Activities

One general conclusion emerging from the micro-level studies in the three categories discussed above, is that the poor have the capability to organize their enterprises or businesses in such a manner as to earn a rate of return higher than the market interest rate (Chatterjee, 1995; Singh, 1997). All that is needed is to extend institutional credit to them within a participatory framework through NGOs or CBOs. Once this perspective is accepted, the task of upgrading the informal sector, and through that, of poverty alleviation, should become easy. However, there are also a few studies that reveal that the growth process in India is characterized by a high degree of uncertainty even for organized enterprises of which many face problems in gaining access to critical inputs and marketing facilities (Jagannathan, 1987). The success of informal enterprises, therefore, may not be contingent on the availability of credit alone.

In many of the celebrated programmes for supporting informal activities of the poor through the provision of credit facilities - often cited as success stories - the overhead costs of establishment, particularly that of the organizers/motivators, are not taken into consideration. Indeed, many of the organizers do not charge their salary to the organization; their "earnings" are really in terms of recognition at national and international levels. The crucial question which is now being asked is whether or not poor entrepreneurs are able to face free market conditions independently and make their units viable if only institutional credit is brought to their doorsteps without any other organizational support from government or non-governmental organizations. And, if such support is essential, the question is how do we do its proper costing?

¹³ The programmes for Small and Medium Towns Development (SMTD) and Integrated Development of Small and Medium Towns (IDSMT), for example, include schemes for strengthening the urban economic base. For implementing the programmes, studies have been sponsored by the government (undertaken by the Town and Country Planning Organization, National Institute of Urban Affairs and other research organizations) analysing the nature of economic activities in the towns. Besides, there are programmes like Urban Community Development, Urban Basic Services, Environmental Improvement of Urban Slums, etc., designed to provide certain basic amenities and social inputs to the poor; largely through community participation. Studies undertaken in connection with these programmes have also investigated working conditions, income and consumption patterns of the economically underprivileged households.

Unfortunately, the available success stories do not provide a clear-cut answer to this question. The case studies of different programmes suggest that the answer is situation-specific and varies from region to region. Many of these, however, reveal that a participatory approach involving NGOs and CBOs reduces the establishment and supervision costs. Also, it ensures greater compliance to norms and repayment of loans. But the implicit cost of building up the umbrella organization and the sacrifices made by a few committed individuals in the process cannot possibly be measured in monetary terms. These, therefore, do not enter the accounting framework for most of the nationally known programmes and consequently, no proper cost-benefit analysis can be carried out. This is the reason why it has not been possible to multiply the success stories and to pursue this as an alternative approach to development (Kundu, 1996).

Besides, certain support systems (not only in terms of finance) have become available to these programmes from outside the organization, which may not be the case in future years. If the objective is to multiply the experience of these few well-known experiments in the whole country, these organizational tasks and the costs of the support system cannot be ignored. The studies reveal that to have a few successful projects is one thing; to multiply them on a national or international scale is another.

Finally, researchers have expressed concern with regard to the stringent controls imposed by public agencies on the informal sector on the one hand and the absence of positive incentives on the other. Many have urged the government to design a framework for protecting informal sector workers from an exploitative nexus in the market and providing a support system to improve their working and living conditions (Pillai, 1997). It is further argued that the details of such a system in a particular town/settlement or industry can be designed only through micro-level studies (Sunderam, 1995; Tripathy and Dash, 1995).

5. POLICIES AND PROGRAMMES FOR PROMOTING INFORMAL SECTOR

An analysis of the policies and programmes for the informal sector can be attempted based on plan and policy documents along with evaluation reports of governmental schemes, among others. Importantly, absence or inadequacy of an administrative and institutional support system has been considered responsible for the slow growth of this sector. A number of specific recommendations have been made for creating and/or strengthening this support system as discussed below.

A large number of studies have looked into the incentive system for promoting industrial growth in the country, like tax holidays and income tax rebates for new undertakings, allowances on investment in plants and machinery and on export, capital subsidy in backward areas, etc. (Tulsi, 1980; Sanyal, 1996). Many of these studies have tried to assess the extent to which benefits have reached the unorganized sector. Further, the industries belonging to the small scale sector (SSS), namely those having fixed assets up to Rs. 7.5 million for ancillary units¹⁴ and Rs. 6.0 million for the others (the limits in the early nineties were Rs. 1.0 and Rs. 0.75 million respectively), enjoy special concessions and incentives, as discussed below. Here again, the

¹⁴ An ancillary unit is one which is generally set by up a larger parental unit for the purpose of getting regular supply of certain inputs or for processing a specific output.

scholars have enquired, how many of the informal sector units could register with the DCSSI and take advantage of these concessions?

SSS units producing any of the 72 specified items are exempt from central excise duty up to the output level of Rs. 0.5 million per year, provided their production is below a certain threshold. On other items, the exemption limit is Rs. 1.5 million if the output (in the preceding year) has not exceeded Rs. 3 million. Besides reduced excise duty, other incentives like reduction in sales tax, product subsidies, input quotas, subsidies on power, etc., are extended to small-scale industries (SSIs). The price paid by the central government and public undertakings in purchasing the products from SSS is 15 per cent higher than those from medium or large scale industries. SSS units get a similar price preference in the purchases made by certain state governments as well. In addition, a subsidy of 15 per cent on the capital invested in new units or on expansion and diversification of old units is available from the central government. Capital subsidies are also given by the states, although the amount is small. Finally, units located in the backward region, as identified by the central government, can get an income tax rebate of up to 20 per cent on their profits (Sandesara, 1988). Many of these concessions are, however, being withdrawn with liberalization and structural adjustments in the Indian economy.

Besides to these fiscal and financial measures, certain administrative stipulations are in operation that help small entrepreneurs indirectly. There are, for example, restrictions on the expansion of production by the large and medium scale units for over 800 commodity groups. This is a kind of reservation which helps small entrepreneurs in industries where significant economies of scale exist that can be enjoyed only by large units. Entrepreneurs producing chemical products, rubber, light engineering, paper, wood products, textiles and so forth have been the major beneficiaries of this policy. The growth of small scale and informal activities in these industries may partially be attributed to this. The above restrictions are, however, being lifted gradually with liberalization and structural adjustments in the economy. It would be important to examine the impact on the small entrepreneurs.

Besides the fiscal and financial concessions, administrative guidelines, etc., discussed above, various infrastructural facilities and services are provided both by the central as well as state governments. Industrial Development Corporations in different states provide developed land, water, sanitation, local roads, electricity, etc., to the units located in their Industrial Estates. The former also help the entrepreneurs in obtaining subsidized finance and critical raw materials. Moreover, central and state level industrial finance corporations (refinanced by central level organizations like the Industrial Development Bank of India, commercial banks, etc.) provide loans to SSIs at low rates of interest.

The crucial question one may ask now is whether these benefits meant for SSIs have reached informal manufacturing units? The studies on this subject give a clear negative answer. For example, reduction in excise duties has failed to benefit the handloom sector. Powerlooms also gained at the expense of handlooms when purchase of hank yarn intended for handlooms was appropriated by the Power looms (Jain, 1983). It is important that registration with the DCSSI, or for that matter with any specialized commission and board like *Khadi* and Village Boards for silk and coir industries, is optional. Only the units that have a legal status and have obtained necessary clearances from the local government (e.g., its health and planning departments, Pollution Control Boards, etc.) can apply for registration entitling them to the concessions and subsidies. This automatically debars almost all informal manufacturing units from enjoying the benefits.

Studies show that many units within the SSS that are benefiting from the governmental programmes belong to the organized sector (registered under the Factories Act). These programmes have emphasized the importance of SSIs, but benefited largely the relatively modern capital intensive units. These units are noted to be fairly capital intensive and operate at a high technological level (Patvardhan, 1988; Ghosh, 1988). Scholars have, therefore, questioned the postulate that the small scale units encouraged through government programmes are labour intensive and can promote balanced regional development (Sandesara, 1991 and 1992).

Researchers, probing into the distributional aspects within the SSS have identified a new category, namely the "tiny sector", comprising units having fixed capital of up to 0.1 million. It has been shown that this sector has an extremely small share in the governmental subsidies. Scholars like Kurien (1978) and Goldar (1988) have pointed out that if the objectives are employment generation and optimal use of capital resources, it is difficult to justify the promotion of modern capital intensive industries through state sponsorship, as has been the case so far. The informal sector, that should get very high priority in terms of both the objectives, has unfortunately been left out of nearly of all the promotional programmes.

Needless to say connection and corruption have played an important role in the disbursement of incentives and subsidized capital among small-scale units. This has continued even through the economy has moved from a regime of control to that dictated by the market, with drastic reduction in the volume of subsidies. As a consequence, a handful of industrialists are cornering much of the benefits, mostly under a false identity. Although there is no lower limit on fixed capital for registration with the DCSSI or other boards and commissions, the informal sector entrepreneurs have generally remained outside the system due to legal and bureaucratic hassles. Even when registered with the DCSSI, they do not curry favour with the banks or other public agencies because of their lack of economic and social status or doubts regarding their credit worthiness. Procedural requirements of pledging adequate physical and financial assets have often disqualified them. It has, therefore, been argued that, even without corruption, the existing legal structure, norms and administrative stipulations are such that the workers/entrepreneurs in the informal activities can rarely get any access to the benefits from promotional schemes.

A liberal policy for sanctioning institutional loans and government grants has often been proposed as a remedy to the situation. The proposal, however, has both positive and negative implications. It has been pointed out that sanctioning of credit without insisting on elaborate procedures and regulatory norms would theoretically increase the access of the poor and tiny sector entrepreneurs to the formal financing system. However, given the present resource scarcity and the power structure in the country, credit liberalization is likely to benefit the modern capital intensive sector only as it has greater capacity to manipulate the procedures. It might also increase the default rate in repayment of loans, increasing thereby the burden on the public exchequer.

Similarly, deregulation and decontrol of the process of entry and exit and day-to-day functioning of private enterprise may help the existing power groups and vested interests within the industrial sector because of their dominant position. Deregulation may help the industrialists to cut down on real wages and the facilities provided to the workers and increase their own profitability. A few studies have shown that the genuine informal sector entrepreneurs, operating with a low level of skill, technology and productivity are not able to compete with others in an environment of economic liberalization (Duraismy and Narasimhan, 1997).

The other important point emerging from the overview in this section is that the incentive system in the country has been designed primarily for the manufacturing sector. Much of the institutional finance provided at a subsidized rate are meant for industries. However, keeping in view the objective of employment generation, one should assign a far more important role to the service sector than industries in the nineties. This is because the employment elasticity in manufacturing is low and decreasing over time. The opposite is the case in the service sector.

Indeed, designing a support system for promoting tertiary activities has not been given any consideration. In view of the fact that the responsibility of labour absorption in the next few years of structural adjustment will fall squarely on the services sector, it would be important to develop certain institutional support systems, specifically for this sector or bring it under the existing system created for industries with appropriate modifications.

The decentralization of planning and administrative functions by rejuvenating and transferring powers to local bodies would go a long way in supporting service activities. So far, the local bodies have been looking at the informal service sector largely from the negative viewpoint. This sector has generally been viewed as a civic nuisance and health hazard and consequently, attempts have been made to control it through various acts. The local administration can be encouraged to play a positive role in future years and to support the service activities. It should shoulder the responsibility of creating an economic and administrative environment in which the urban poor can find productive employment for themselves.

In the light of the above, it can be argued that the incentives and regulatory system in the country should not be abandoned in a hurry. There is a need to redesign these with the specific objective of facilitating the growth of tiny or informal sector units. Importantly, the Ninth Plan envisages a four per cent growth in employment. Given the current employment elasticities, achieving this would mean more than twelve per cent growth in organized industries which is beyond the limit of feasibility. This can, however, be achieved through a sustained development of informal activities - both manufacturing and services - wherein it is possible to increase the employment elasticities through an appropriate support system.

It has proven difficult to provide institutional loans and capital subsidies to informal sector entrepreneurs, especially those engaged in petty services. This has become even more difficult in a period of structural adjustment wherein the emphasis has been on economic efficiency and cost recovery. Similarly, relaxation in the laws pertaining to labour welfare, environmental protection, etc., (or lack of seriousness in their implementation) are likely to have an adverse impact on the welfare of workers in this sector. Further, the legal system presently covers by and large only manufacturing activities and there has been a systematic reduction in its coverage. The analysis in the paper, however, suggests that even tertiary activities need to be brought effectively under the system. The government cannot abdicate its responsibility of safeguarding the interests of the entrepreneurs/workers engaged in informal tertiary activities. A purposeful and definitive intervention, therefore, seems to be the need of the hour and not a state sponsored *laissez-faire*.

6. CONCLUSIONS AND THEIR IMPLICATIONS FOR DEVELOPING A SUPPORT SYSTEM

The overview of the existing database for unorganized industries clearly brings out serious gaps, anomalies and discrepancies. The data even from national sources like the Population Census, Economic Census and NSS suffer from problems of comparability. Owing to changes in the scope and coverage, assessing the trends or making generalizations about the pattern becomes difficult, even when using data from the same source. It is, therefore, important that agencies like the Census and NSSO standardize their methods of data collection and tabulation to permit cross-sectional and temporal comparability. ILO has played an important role in building up comparable statistical systems across countries by lobbying for standardization and comparability at various international fora. It can certainly play a crucial role in generating temporally and cross sectionally comparable data on the informal sector by recommending certain systems of data compilation to national level agencies in India.

Notwithstanding the problems in the database, it is observed that much more can be said about the changing character of the informal sector, its problems and possibilities for its future development than has been done in the past. These inferences and generalizations would be extremely important for designing the right kind of policy environment at the macro-level and launching specific schemes at the micro-level.

The overview of the macro data reveals that there has been a decline in the share of informal manufacturing employment which must be understood in the context of the declining industrial base in urban areas. Changing nature of production relations, subcontracting of jobs and ambiguity of contracts, growth of self-employed and casual workers, etc., have carried many of the activities out of the realm of manufacturing and placed them under the tertiary sector. As a consequence of this subcontracting, the workers stand exposed to more serious exploitation as there are fewer institutions and labour laws to protect subcontracted tertiary sector workers. The basic factor responsible for the growth of these activities is excess supply in the informal labour market. Further, there are indications that the absorptive capacity of informal manufacturing activities is reaching saturation limits, which is further reflected in a decline in rural to urban migration.

It is often stipulated that informal manufacturing activities would generate employment to compensate for the reduction in organized employment during the period of structural adjustment. Some of the recent studies, however, question this proposition keeping the recent trends in the economy in view. Scholars have pointed out that a large number of informal sector units belonging to the OAME, NDME and DME categories have shown significant decline in the growth of workforce during the late eighties in urban areas. This can be explained, besides subcontracting of jobs, in terms of this sector losing out to large capital intensive units. All these point towards a low productivity syndrome for unorganized workers in urban areas. These are likely to slow down the growth of employment in the manufacturing sector and adversely affect the rate of rural to urban migration and urbanization in future years.

A large part of the informal sector seems to be surviving at a low level of productivity as a consequence of their low technology, very little capital assets and adverse market conditions. Further, the enterprises in the sector generally do not have much liquid cash for maintaining inventories. What is more important, they also face serious difficulties in getting adequate and regular supplies of certain critical raw materials. In general, the sector does not respond to economic stimuli or the demand factors. As a consequence, the increase or decrease in the number

of units or employment in many informal sector enterprises takes place without a corresponding increase in value added per worker or per enterprise. For them, being in business is not a matter of making profits, but of survival.

A small segment of entrepreneurs in the informal sector, however, is linked with the market, has access to credit facilities and responds to productivity increases. It seems that institutional credit is a crucial factor for these enterprises for purchasing or hiring capital assets. Importantly, ownership of land increases access to credit. One may, therefore, argue that giving land titles to households would go a long way in strengthening informal enterprises. Finally, registration with public agencies makes a significant difference in access to land, fixed capital and working capital. Providing the protective cover of public agencies, thus, emerges as yet another critical factor for the success of informal enterprises in urban areas.

The survey of micro-level studies indicates that low productivity, low wage rates, underemployment, poor working and living conditions, absence of skill formation, etc., are the major problems facing the informal sector. Insecurity and uncertainty characterize this sector and these are the major hurdles in developing an institutional support system, including provision of credit. A large majority of entrepreneurs struggle for subsistence without any hope of vertical mobility while only a few, that too in select occupations, manage to climb up the ladder. The fluctuations in the global or national market and changes in government policies threaten the growth and even continuance of many of the activities in this sector. Individual entrepreneurs are in no position to safeguard themselves against these risks. Absence of formal registration with the local government or any other public agency is responsible for non-availability of adequate infrastructural facilities to them. More importantly, many engaged in this sector face harassment by the police and local government functionaries.

Availability of credit, land titles and registration with public authorities emerge as important factors for the success of informal micro-enterprises. Studies based on secondary as well as primary data underline the importance of these factors in improving the nature of technology and capital investment per worker that lead to higher productivity and profitability. Concern has been expressed regarding the unrestrained competition among micro-enterprises in the input and product market. Regulating such unhealthy competition, establishing norms and practices for business, standardizing the products and services, and providing market information have been advocated as important components of a support system at the micro-level.

The review of policies and programmes for promoting industrial growth suggests that the "tiny units" with fixed capital up to rupees 0.1 million and informal units with an investment of a few thousand or hundred rupees that generally do not get registered with any public agency, receive virtually no support. This corroborates the findings of the micro-level studies. Most of the benefits go to the modern capital intensive "small scale industries". The "dynamism" shown by the informal sector, therefore, is not because of the government support, but is in spite of the constraints and controls imposed by the public authorities. Its continuance and growth in many cases can be explained in terms of undercutting of wages by its workers in their struggle for survival.

Significant measures have been proposed to modify the present organizational structure and the modus operandi of the public agencies with the objective of increasing their accessibility to informal entrepreneurs. Researchers have also tried to identify the possible areas of public/collective control to ensure that the entrepreneurs do not exploit the poor workers. Defining

the role and strategies for intervention by the central, state and local governments for the efficient functioning of informal activities and protection of the workers therein, thus, emerges as a critical area for future research.

One proposition gaining currency among policy makers at the national and international levels is that the people engaged in informal activities can achieve reasonable rates of return and conduct their business profitably provided that institutional credit is extended to them within a participatory framework. It may, nonetheless, be pointed out that generalizations based on a few successful programmes can be grossly misleading. Often, these success stories do not consider the overhead cost of setting up the NGO or CBO responsible for the implementation of the project.

Based on the present overview, a case can be made for selective assistance to the informal sector entrepreneurs in terms of provision of technical guidance, subsidized credit, scarce raw materials and marketing support in place of the present system of general subsidization and regulatory control. Economic liberalization in the nineties does not seem to have made any positive impact on the profitability and growth of informal enterprises. Steps would, therefore, have to be taken to channel these benefits to the tiny/informal sector units that seem to have been marginalised in the present administrative environment. The allotment of scarce raw materials must be linked to resale of their output. Co-operatives created for this specific purpose, if organized properly, can help in reducing the bureaucratic procedures in identifying and providing support to their members as well as non-members. The units attached to or created by the large industries/industrial houses are, however, not in a great need of the technical or marketing support. Targeting of the benefits should, therefore, be the central concern of the support system for promoting the informal sector along the desired lines.

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