CHAPTER 6

SUMMARY OF FINDINGS, CONCLUSIONS AND POLICY IMPLICATIONS

6.1 Introduction:

The concluding chapter of the thesis summarizes the broad inferences of the study and extracts the policy implications thereof. The principal findings of the study are first reviewed to smoothen the improvement of the process of drawing the broad conclusions and extracting the policy implications thereof.

The present study is designed to throw light on the process of employment generation in the urban informal sector of Guwahati city. It also analyses the socio-economic characteristics of self-employed workers, nature and structure of establishments in the urban informal sector. In addition, it studies the role of human capital on workers earnings.

Due to the lack of sufficient secondary data on the study area, the current study is based mainly on primary data. The field study was conducted in Guwahati City. The chapter is therefore divided into three sections. Section 1 summarizes the principal findings. Section 2 gives the overall conclusions and Section 3 looks at the policy implications.
6.2. Summary of the Principal Findings

6.2. A. Findings from the Secondary Data

- The informal sector is a source of employment to around 92% of workers in India and this percentage has remained more or less stable or may have marginally increased over the years.

- The distribution of workers by employment category in terms of self-employed, regular wage and salaried workers and casual wage earners reveal that self-employment continues to be the major source of employment though it has come down in recent times after 2004-05.

- There has been an increase in the share of the casual category of workers (except for urban females) in India. The latter was generally referred to as increasing 'casualisation' of workforce. NSS results reveal that the trend of increasing casualisation continued from 2004-05 to 2009-10 across all the sections (Urban/Rural & sex wise).

- The Indian economy is, thus, dominated by the self-employed. During 2009-10, 51 percent of the workers as a whole was self-employed followed by the other two categories of workers.

- During 2009-00, nearly 93 percent of workers engaged in AGEGC belonged to the informal sector in India. While 90 percent of the male workers engaged in AGEGC were informal, about 95 percent were female workers.
• In the Non-agriculture sector, among the different broad sections, the following industries had a very high proportion of workers in the informal sector: nearly 92 per cent of the workers in wholesale or retail trade, etc. (section G) were engaged in informal sector, nearly 89 per cent in hotels and restaurants (section H), nearly 82 per cent in manufacturing (section D), nearly 77 per cent in other community, social and personal service activities (section O) and nearly 75 per cent in Transport, storage and communications and so on.

• Just like India, Assam too has an overwhelming portion of its workforce engaged in the informal sector. During 2009-10, around 89.77 per cent of its workforce was engaged in the informal sector.

• Assam too has a predominance of self-employed workers followed by casual labours and regular wage/salaried employees. During 2009-10, 68.5 percent of total workers were self-employed in Assam, followed by casual labour with 18.9 percent and regular wage/salaried employees with 12.7 percent.

• While there has been a decline in self-employment in case of India, the same is not true for Assam. There has been an increase in the share of the self-employed and a corresponding decline in casual and regular salaried employment. There is a growing trend of casual and regular salaried employment being converted into self-employment in Assam.
During 2009-10, about 77 percent of the workers engaged in AGEGC belonged to the informal sector (Appendix, Table D) and out of these 77 percent were males and 72 percent were females.

The non-agriculture sector engaged 55 percent of the informal sector workers in Assam. The industrial distribution of non-agriculture sector reveals that wholesale and retail trade (category G) engaged the largest share of informal sector workers (86 percent), followed by (industry division K) real estate, renting and business activities (77.4 percent), Hotels and restaurants (H) [70.6 percent] and so on.(Appendix Table D).

6.2. B. Findings from the Analysis of Primary Data

6.2. B. (i) Findings about Employment Generation in Guwahati City

Just like the national and state scenario, the informal sector plays a very significant role in Guwahati’s economy by contributing approximately around 90 percent of city’s total employment. Employment is generated in this sector in the form of wage earners and self-employed.

Employment generation in Guwahati city is estimated using the residual method for a period of ten years i.e. from 2001 to 2011. During this period, employed generation varied between 88 percent to 89 percent implying that the informal sector plays an important role in Guwahati’s economy by providing livelihood opportunities for the local and migrant population.
The NSSO survey reports for the period 2001 to 2011 also reveal that at all India level, the percentage of informal sector employment stands at around 92 percent. So, it is evident that both at the national and city level, the informal sector play a significant role in terms of providing employment opportunities to a large segment of the total labour force.

6.2. B. (ii) Findings about the Socio-Economic Status of Informal Sector Workers

- Regarding the gender wise distribution of workers, it is found that the informal sector in Guwahati is mainly dominated by males.

- The family type of informal sector workers in Guwahati is mainly dominated by nuclear family.

- The marital status of the workers reveal that 68.2 percent of the workers are married, followed by single with 30.5 percent and others with 1.3 percent.

- The age distribution of the informal sector workers reveals that there is a substantial young work force among the respondents that is below 35 years. The average age of the respondents is equal to 35 years.

- The demographic characteristics reveal that majority of the respondents are hindus, followed by muslims and Christians.

- The distribution of respondents according to caste shows most of the respondents belong to the general caste, followed by other backward caste (OBC). SC and ST are less in the study group compared to the others.
• Assamese is the pre-dominant community followed by Bengalis and biharies.

• The family characteristics reveal that most respondents are married and have nuclear family.

• Approximately, 68 percent of the respondents are migrants from different parts of the state and country who have mainly migrated in search of jobs.

• An analysis of the level of education of the self-employed informal sector workers of the sample area reveals that 27.9 percent of the workers have only primary education while 18.2 percent are illiterate. The average year of schooling of the respondents is 7.57 years with a standard deviation of 5.21. Only 8 percent of the workers are highly educated.

• Majority of the self-employed workers did not have any sort of vocational training implying that they had low level of skill.

• Around 80 percent of the self-employed workers work for eight or more than eight hours per day, implying there is self-exploitation of the workers.

• The type of activity reveals that majority of the self-employed are perennial workers followed by casual and seasonal workers.

• Though majority of the workers had access to water and electricity, the availability of the same was not very good.
The mean monthly income of the self-employed workers increased after joining the informal sector (present job) or in relation to their initial income/previous job. The mean monthly income increased from Rs. 7294.53 to Rs. 13900.

To find out if there is statistically significant difference in mean monthly income of the workers, a non-parametric analysis has been applied as the income data in the study does not seem to be normally distributed. The “sign test” is the nonparametric test equivalent to the dependent t-test. The null hypothesis is that median income has not increased after joining the informal sector i.e. there is no difference in median income of the workers. The alternative hypothesis is income has increased after joining informal sector i.e. there is significant difference in median income of the workers.

The test statistic table shows that the p value is statistically significant below 5% level of significance and therefore the null hypothesis that there is no difference in median income of workers is rejected. It can be concluded that the difference in median income of the informal sector workers after joining the informal sector in the present job is significant with a p value of (P = 0.000 and z = -19.287).

Regarding the type and status of housing, 60 percent live in pucca house, 36 percent in kutcha and the rest 1 percent in hut. 54 percent of the sample respondents have their own independent accommodations and 45 percent live in rented house.

The basic amenities which improve the standard of living of the self-employed workers reveal that most of the respondents have good and moderate access to
transport but with regard to medical facilities the same cannot be said. 18 percent of the respondents have poor access to medical facilities while 65 percent have moderate access and only 16 percent have good access.

- The access to consumer durables, a good indicator of the living standards of the self-employed workers and their family reveal that 76 percent of the respondents have low economic status while only a minor 2.6 percent have high economic status.

- Regarding own conveyance, 64 percent of the respondent have their own conveyance such as cycle, scooter, car and auto. The rest of the respondents (35%) do not have any conveyance.

- The social security benefits provided by the government are conspicuous (noticeable) by its absence in case of the self-employed urban informal workers in this study. However, the workers do make some sort of investment for their future.

- SHGs are a powerful tool for socioeconomic empowerment of the poor. But the self-employed workers in Guwahati are not very aware of SHGs.

- 54 percent of the workers have joined this sector as a last resort while 24.5 percent find self employment to be an attractive opportunity.

- Perceptions regarding remuneration in self-employment reveal that 54.2 percent found self employment to be remunerative while about 46 percent found it to be non-remunerative.
6.2. B. (iii) Findings about Size and Structure of Informal Enterprises

- During 2009-10(66\textsuperscript{th} round), 68.5 percent of total workers were self-employed in Assam. In the present study, half of the enterprises are own account and half are establishment with at least one hired worker.

- In the present study, the informal sector in Guwahati consists mainly three types of enterprises retail trade (41.4 \%), services (27.3 \%) and street traders and vendors (31.2 \%).

- There is earning differential among the three types of enterprises. The Kruskal-Wallis H test shows that there is a statistically significant difference in monthly earnings between the three groups of enterprises, $\chi^2 (2) = 41.287$, $p = .000$.

- The post hoc Kruskal wallis test is used to find out if there is statistically significant difference in median earnings of the three types of enterprises. The post hoc analysis reveals that there is significant difference in earnings between retail traders and street traders and vendors, and between services and street traders and vendors. But there is no statically significant difference between the retail traders and services.

- Regarding location of enterprises, majority of them (72.9\%) are located outside household premises with fixed location while only 3.6 percent are within household premises. 23.4 percent are outside household premises without fixed location indicating that they are petty traders and street vendors.
• 49 percent of the total sample units are registered under Guwahati Municipal Corporation to run their business while 51 percent are not registered under any legal authority or body.

• Majority of units are found to be individual ownership followed by household ownership and business partnership with members of other households.

• The informal sector enterprises provide employment opportunities in terms of both temporary and permanent employees. Majority of the units provide permanent and temporary employment to one worker indicating that they are mainly tiny units operating with little human or physical capital.

• Total employment generated by the enterprise is 427.

• The second hypothesis that there is no significant relationship between total jobs generated and employers/establishment with at least one hired worker has been rejected in favour of the alternative hypothesis. The alternative hypothesis is there is significant relationship between total jobs created and employers/establishment (informal enterprises).

• An Analysis of Variance Model (ANOVA) has been employed to study the relationship between the two variables. The test result shows that there is a significant relationship between total jobs created and employers at one percent level of significance. The mean employment generated is about 0.097 by the own account workers. Compared with this, the mean employment generated by employer/establishment with at least one hired worker is higher by about 2.061. On
this basis, the hypothesis that self employment activities generate further employment for others is accepted.

- The average investment of the self-employed is equal to Rs.106653.65.

- Among the three groups of the enterprises, the mean investment of the retail traders is the highest, followed by the service providers and street traders and vendors respectively.

- Only 17.2 % of the workers have access to banks while the rest of the workers depend on private loan, relatives and others.

- The self-employed workers, does, need to rely on their personal wealth or internal resources to invest in their education and businesses, which limits their full potential, leading to the cycle of persistent inequality and diminished growth.

- Regarding the number of years in the present job, majority of the workers i.e. 61.2 % were in the present job for more than four years, 6.5 % of the workers worked in the present job for less than one year while 10.7 % worked between one to two years.

6.3 Findings about Returns to Education

- Returns to education have been estimated for the self-employed workers using extended form of Mincer’s Earnings function. A multiple regression model has been used using both quantitative and qualitative variables.
Education or years of schooling is an important variable which affects the earnings of the self-employed workers and it is highly significant at 1 percent level of significance. It is observed from the model that each extra year of schooling increases the earnings of the workers by 4.84 percent.

Experience and its square term are not significant variable in explaining returns to education for all the self-employed workers though they have the expected sign.

The gender dummy shows that females in the informal sector of Guwahati earn less in comparison to the men. The earnings of females are nearly 40 percent less compared to the men.

An interaction term has been incorporated in the model involving gender and education (years of schooling). The interaction variable shows that the effect of the independent variable on the dependent variable depends on the other independent variable.

The interaction of education(S) and gender (G) on earnings shows that controlling other factors, female, in general, earn more than males. Earnings of female increases by 4.38% when G changes from 0 to 1.

Overall, the returns to female education are higher than those to male education. This is supported by other studies also.

There is difference in earnings among the three groups of workers which can be attributed to years of schooling.
• When the sample workers are categorized according to broad categories of own account workers and employers (with at least one hired worker), it is seen own account workers earnings increase by 3.88%, while employers earnings rise by 4.69% as a result of an extra year of schooling. This is because the employers are better educated than the own account workers.

• For retail traders, experience square is significant, implying that there is a non-linear between experience and earnings. The experience square positively affects the earnings by 0.125%. For the service providers, besides years of schooling or education, experience and experience square are significant variables affecting income. For street traders and vendors, the gender variable is a significant implying that there is a decrease in earnings when the predictor variable G, changes from male to female while the variable experience and experience square are not significant in case of these group of workers.

6.4 Conclusions

The present study is concerned with income and employment generation in the urban informal sector of Guwahati City and socio-economic characteristics of the self-employed workers in three important segments of the tertiary sector. The tertiary sector is the main sector of employment in Guwahati’s economy. According to NSSO’s 2004-05 round data, a large proportion of workforce, both male and female, is engaged in the tertiary sector. 63.4 per cent male and 82.8 per cent female workers were engaged in
tertiary sector in 2004-05 (Srivastva et al 2010). Therefore, the development of the tertiary sector will propel the city towards the path of economic growth.

The preliminary investigation of the informal sector in Guwahati reveals that most of the self-employed do not have any form of social security benefits. The social security schemes in India cover only a small segment of the formal workforce. Informal sector workers are deprived from the different social security benefits. There is yet to evolve a comprehensive national social security policy for the entire workforce in India. Therefore, a policy framework at the national level needs to be formulated, adopted and implemented with different provisions for different groups of workers and employees.

Neither are the self-employed in Guwahati city aware about any self-help groups or trade unions. Therefore, from the present study it can be concluded that self help groups and trade unions may be created and strengthened and awareness generation campaigns and dissemination of information to the informal sector workers by these agencies may reduce the self-exploitation of these workers.

Majority of the self-employed workers do not have any sort of vocational training. Skill development of the workers is another area through which the income of informal sector workers can be increased. Establishment of Multi-disciplinary skill development centres offering vocational training and skill up gradation to the self-employed workers are important for improving the earning capacity of the self employed workers.

The self employed workers in Guwahati are unable to offer collaterals or guarantors because of their weak economic status. Therefore, provisions can be made by
banks to arrange collateral-free loans at the subsistence level in order to accommodate their needs. Another possibility could be that NGOs or trade unions could intervene as guarantors for which they would have to work effectively in organizing the workers. In addition to trade unions or NGOs, the civic authorities can also act as loan guarantors on behalf of the vendors. The loan process should be made less cumbersome and bureaucratic. The banks needs to conduct skill development programmes, training programmes, organise workshops for the uneducated urban poor as how to utilise the available fund in a proper way with minimum wastage.

6.5 Policy Implication

The traditional belief that informal sector is a transitory one and would wither away as the forces of growth acquires momentum has been proved wrong and informality continues in the current history of the economic development of the developing world. A critical assessment of the dynamics of development achieved and development theory in many of the developing countries of the world shows the inadequacy and inefficiency of the formal sector in realising the various dimensions of development. Whether it is in terms of employment creation, resource allocation, promotion of equity and ensuring of environmental, social and cultural sustainability; the formal sector has not been able to ensure it. On the contrary, it has become increasingly evident that the informal sector can accomplish many of the cherished requirements of development in the underdeveloped world.
This realisation got justified with the structural adjustment programmes adopted by many of the developing countries and the recent global economic meltdown further strengthened the belief of the champions of the informal sector that informal is universal and integral part of the developing countries. Thus, informal is a part of life of the developing world and it is in this context that the self-employed workers in the three sectors of informal sector of Guwahati city has been taken up for study in terms of employment generation, their access to finance, returns to education and so on.

Scarcity of capital is one of the characteristic of informal sector enterprises. Most of the studies undertaken on urban informal sector find lack of credit as the most important constraint facing the workers. (Sethuraman: 1981; ILO: 1991; Marjit and Kar: 2007; Upadhyay: 2007).

The informal sector in Guwahati too faces the same problem. More than 80 percent of the borrowings of workers come from informal sources. The workers mostly depend on their own sources of funds, on private loans and on friends and relatives. Only 17 percent of the workers have access to formal financial institutions. Bank and other financial institution generally are not ready to give financial assistance to the informal sector workers because they lack collateral. So the sector faces the problem of insecurity and inadequate infrastructure facilities. The informal sector workers especially the street traders and vendors are also not secure as they have to face harassment by police, municipal authorities and others and always have the fear of eviction. Such situations limit the earnings of informal sector as well as the scale of operation. But in spite of the many problems and risks associated with this sector, the IS continues to be the only source of
livelihood for the urban poor. The earnings may be low in this sector but this is the only way by which the workers can enjoy a reasonable standard of living with freedom and absence of fear. In this context, following are some of the suggestions/recommendations derived from the study for expanding the level of economic activity and incomes of the self-employed workers in the informal sector and also for overall growth and development of this sector.

- The present study found that education yields positive benefits. Education yields economic benefits in the form of higher wages from the individual perspective, while from the national perspective it enriches the stock of human capital that serves as a production factor. Therefore, policies which improve the quantity and quality of schoolings should be adopted.

- Emphasis should be given to education of females as the returns to years of schooling for females are greater than that of men.

- The employers are better placed in relation to the own account workers. Therefore, an important implication of the study is that policies which encourage employers should be taken by the government.

- The street traders and the vendors are the most marginalized and disorganized among the three groups of workers in this study. Therefore, policies at the national level should be formulated and implemented for their improvement.