CHAPTER — VIII —

SUMMARY OF FINDINGS AND CONCLUSIONS
8.1 DUALISTIC TENDENCIES IN THE URBAN ECONOMY

One of the most striking features of development in the third world during the second half of the twentieth century is the unprecedented growth of labour force in large cities the premature urbanisation or urbanisation without industrialisation failed to create adequate productive employment opportunities to this fast growing labour force. This resulted in the development of the informal sector consisting of workers who as a rule are not employed by organised enterprises and correspond to the surplus labour force. Thus, based on the dualistic tendencies of an urban economy, the labour market can be classified into two sub-sectors, viz., formal and informal. Several studies were conducted on the urban labour market, with an emphasis on informal sector. All these studies have invariably demonstrated the need for more detailed examination of urban labour in the informal sector, in order to consolidate diverse empirical insights from different parts of the world. It is in this context, a study on the urban labour in the informal sector of a rapidly growing town of a developing country is expected to yield interesting results. Hence the major thrust of this study is to focus on the informal labour in the Nellore town of Andhra Pradesh in South India.

8.2 DYNAMICS OF URBAN LABOUR MARKETS

On the basis of the development experience of western countries, Lewis, Fei and Ranis have advanced a two-sector model relating to the development of labour force in the over populated underdeveloped countries. These economists believed that the surplus labour from the agricultural sector would be gradually absorbed into the urban economy as industrial sector expands. But contrary to this hypothesis, employment opportunities in the modern industrial sector have failed to
keep pace with the growth of the Urban Labour Force. Recognising the limited scope for employment growth in the formal sector the international labour organisation has launched a series of research studies on the employment potential of the informal sector in selected developing countries. In India also several studies were undertaken with the objective of identifying the informal sector and estimating the proportion of work force in it. These studies observed that the urban informal sector can absorb the surplus labour because of its unlimited capacity to expand, low capital intensity and lack of entry restrictions. As such this sector has been accorded a crucial place in the process of development.

8.3. FINDINGS OF THE STUDY

The analysis of the nature and structure of Nellore with respect to functional characteristics revealed that functional characteristics of the town have changed from service to service-cum-transport and industry. This indicates the rapid industrialisation that has been taking place. The study of population growth in this town revealed that the population increase during 1941 to 1981 is more when compared to the period 1901 to 1941. It is observed that in the town the trade and business accommodated the largest number of employees into its fold when compared to the other major activities of the town. The analysis of distribution of workers emphasised the predominance of the informal sector. The study of the pattern of migration revealed that though the female work participation is considerably low, in general, their participation in trade and commerce is worth mentioning. The analysis of literacy pointed out the proliferation of non literates from decade to decade. This resulted in the growth of informal sector. From the analysis of occupational distribution of workers in the town of Nellore it is found that there is a clear shift in working population from agriculture and allied occupations to secondary and tertiary activities.
8.4 SOCIO-ECONOMIC CHARACTERISTIC OF THE WORK FORCE

The study of the occupational pattern of the sampled workers indicated that the tendency of the workers in the informal sector is to be self employed after attaining certain age and possessing sufficient experience. The earnings of the households brought out the facts that the average per capita monthly earnings of the informal as well as formal workers are very low pointing out the need for strict implementation of the minimum wage legislation in the formal sector and an extension of such legislative measures in the informal sector. The analysis of the levels of education and skills of the sampled workers revealed that there are limited Chances for Informal sector workers to enter into the formal sector as most of the sampled workers are either married migrants or married natives. It is expected that the commitment on the part of these workers towards their jobs and earnings will be high. The analysis of workers by caste, religion showed that majority of the workers belonging to forward caste have settled in the informal establishments while a large number of workers belonging to backward castes are reported to be under employed. The study of the migrant workers established the importance of Nellore town as an employment centre for the migrants who came from surrounding rural and urban areas.

8.5 LABOUR ABSORPTION, MOBILITY PATTERN AND THE DETERMINANTS OF LABOUR EARNINGS

The study of labour absorption in different sectors revealed that the percentages of workers drawn into both formal and informal sectors have increased at an increasing rate. Among sub sectors the rate of addition of new workers is high in the casual sector followed by informal establishment. Hence, it is concluded that entry into these sectors is
relatively easier when compared to other sectors. It is also observed that out of the total workers only a few claimed to have long duration of current job. The analysis on the mobility of the workers brought out the prevalence of intra-sectorial and inter-sectorial mobilities in all the sectors with the only exception of the domestic servants. The female participation rates is found to be significantly high in the lower average earnings group while it is very low in the higher average earnings group. It is observed that a variety of factors exert influence on the household workforce participation rates. To estimate the relative importance of these factors it considered necessary to adopt a multiple regression framework. The results indicate that the participation is significantly high among the backward castes in the informal sector. The regression analysis relating to the determinants of the labour earnings revealed education and experience as the most significant variables determining the earnings of labourers in informal sector. It is also found that earnings of the skilled workers are significantly higher as compared to the unskilled workers. It is also revealed that education skills and employment characteristics greatly influenced the earnings when the informal sector is considered as a whole. It is also found that variables like education and experience, rather than social background influence earnings.

8.6 POLICY IMPLICATIONS

Thus the study has dealt with a number of issues relating to workers in the informal sector in the urban economy of Nellore. The informal sector has grown considerably in the recent times. It has been playing a significant role in terms of providing employment and generating incomes. This sector has large potential for absorbing the labour force and for the production of goods and services. Moreover this sector has greater potentialities to absorb the migrant labour force. It serves as a stepping stone for securing employment in the formal sector.
The growth of population along with the inflow of migrants from the surrounding rural and urban areas is giving considerable pressure for creating employment opportunities in the town in view of the fast growth of the formal sector and the potentialities of the informal sector in providing employment to the labour force. We cannot visualise the disappearance of this sector in the near future. Hence, the formal and informal sector will continue to co-exist and also contribute significantly to the urban development process. Thus, the dualistic character of the urban economy will tend to continue as the informal sector will remain as a part of the dualistic structure of economic activities of the urban economy. As such efforts should be made to formulate suitable policies and programmes and strictly enforce them to improve the productivity, earnings and socio-economic conditions of the workers in the informal sector.

However, the inter-sectoral mobility of workers suggests that there are vertical linkages between the formal and informal sector in some activities. As such, the growth of the informal sector depends to a larger extent on the fortunes of the formal sector. Therefore, a strategy of development emphasising independent growth of informal sector may be self-defeating both for the growth of the incomes and employment. As workers belonging to the informal sector come from relatively more disadvantaged socio-economic groups, the labour market segmentation has serious implications for socio-economic disparities among different sections of society. Hence, in order to achieve the objectives of growth and reduction in inequalities, there is a need for an integrated development strategy based on economic and technological linkages between the formal and informal sectors. Since potential for job creation in the informal sector is larger and it does not require much capital investment, advantage can be taken of this sector in developing countries.