CHAPTER VIII

A RECAPITULATION
CHAPTER VIII

A RECAPITULATION

The present study is designed to throw light on the process of employment determination in the urban informal sector. It also analyses the structure, socio-economic characteristics, nature, determinants and occupational mobility of the urban informal workers. In addition, it seeks to examine whether there is any linkage between the formal sector and the informal sector.

Due to the lack of sufficient secondary data, the current study is based mainly on primary data. The field study was conducted in Kottayam municipality of Kerala state. In this study the informal sector is classified into A-sector, B-sector and C-sector on the basis of the following criteria: A worker is termed as an informal A-sector worker, if the worker belongs to an informal enterprise or establishment. An enterprise is an informal enterprise, if it satisfies the following four conditions:

1. The total number of employees is less than or equal to ten.
2. The total value of the fixed capital excluding the building is less than or equal to Rs.150000/-.
3. It should not be a government or semi-government unit.
4. There is unrestricted exit of the enterprise from the business or work.

The B-sector consists of all the self-employed independent workers. An informal labourer is termed as a C-sector worker, if the worker is unattached to any specific
establishment though not totally independent like the self-employed. A domestic servant is also included in C-sector.

The universe for the current study is composed of all those workers in the 32 wards of Kottayam municipality which satisfy the foregoing criteria. Stratified random sampling technique was used for the primary data collection. Each ward of Kottayam municipality was taken as a stratum. Then, from each stratum 10 samples were drawn at random. Thus, the total size of the sample is 320. Direct personal interview method was adopted and for this a schedule was canvassed. In addition, informal discussions were held with the head and other workers of the enterprises so as to cross-check the information.

The analysis of the structure and composition of the informal sector on the basis of the field-data reveals that the informal sector is dominated by B-sector workers. They are followed by A-sector workers and C-sector workers respectively. The main economic activity-wise distribution of the workers shows that the majority of the workers belong to manufacturing group. The family structure of the workers shows that children account for 39.36 percent of the total family members. The female labourers show inclination to A-sector and C-sector respectively whereas the tendency of the male labourers is to enter B-sector. The highest number of male non-labourers is in A-sector, while the highest number of female non-labourers is in B-sector. C-sector has the least number of both male and female non-labourers. It is also found that only 18.75 percent of the workers are
migrants and a comparatively higher proportion of the migrants are engaged in B-sector. The analysis of the location of the work place of the workers indicates that the majority of the workers function in private place at a fixed location. The majority of the fixed location workers are more than 10 years old whereas the majority of the variable location workers are less than 10 years old. The highest number of workers belong to the age group of 5-10. It also reveals that proximity to market is the principal determinant of the location of the work place of the workers.

The analysis of the socio-economic characteristics shows that the majority of the B-sector workers belong to the age group of 45-55 whereas the majority of the workers in A-sector belong to the age group of 35-45. Similarly, the majority of the C-sector workers are in the age group of 25-35. The analysis of educational attainment reveals that the workers in B-sector are more educated than the workers in the other two sectors. It is also found that the majority of the skilled workers are drawn into B-sector followed by A-sector, while the majority of the unskilled workers are absorbed by the C-sector followed by A-sector. The data on the marital status of the workers indicate that there is no inter-sectoral difference with respect to the marital status of the workers. The analysis of the religious and caste background of the workers shows that the workers belonging to Group-I and Group-II predominate B-sector whereas the workers belonging to Group-III and Group-IV predominate A-sector. Here Group-I refers to forward community
Hindus. Group-II comprises of general category Christians and Muslims. Group-III includes all the rest except those in Group-IV. Group IV consists of Scheduled Castes and Scheduled Tribes. The analysis of the earnings of the workers reveals that B-sector workers have the highest average monthly income which are followed by A-sector and C-sector workers respectively. It is found that the female to male earner ratio is in favour of males in all the three sectors. It is the highest in C-sector and the lowest in B-sector. The female to male earner ratio for the informal sector is 30.19. The dependency ratio is worked out as 71.58 percent. It is the lowest in A-sector and the highest in C-sector. The overall work participation rate is found to be 28.42 percent. While the male work participation rate is the highest in B-sector, it is the lowest in C-sector. Similarly, there is the highest female work participation rate in C-sector and the lowest in B-sector. No child labour practice was reported. Further, it is found that a highly significant proportion of the workers (98.44 percent) do not have any affiliation to trade unions or other professional associations. The analysis of the status of dwelling of the workers reveals that 66.25 percent of the workers have their own houses. While 29.38 percent have only rented accommodation, 4.38 percent of the workers managed to share accommodation without paying any rent. Moreover, the majority of the dwellings have only 3 rooms (for 59.38 percent) and use wood as fuel (71.88 percent). While 67.69 percent of the workers function in their own building, 24.23 percent of the workers function in rented building. But, 8.08 percent of the workers have neither own building nor rented building. The present value of the owned
building in which the majority of the workers function ranges between Rs.75000/- and Rs. 100000/-. Similarly, the value of fixed capital excluding the building in which the workers function is less than Rs.20000/- for the majority of the workers. It is also found that the value of fixed capital is higher for the workers having fixed location compared to the workers having variable location.

The analysis of the migratory aspects of the workers reveals that the majority of the migrants show inclination to enter B-sector. It is found that the level of education and migration are positively correlated. Moreover, there is significant intra-district rural-urban migration but inter-district as well as inter-state migration is insignificant. Market consideration is found to be the principal causal factor for migration. Unemployment and low income in native place are the other major causal factors. Further, it is found that the majority of the workers get employment after migration within a year and the relatives of the migrants are the main supporters during the waiting period for employment.

In this study the occupational mobility of a worker from one sub-sector to the other subsector within the informal sector is termed as intrasectoral mobility. On the basis of the field data, the first hypothesis that there is significant intrasectoral occupational mobility in favour of B-sector was accepted.

The second hypothesis in this study is that there are more cyclical workers than structural workers. A structural worker is that worker whose mobility is only
within the informal sector whereas a cyclical worker has unlimited mobility. On the basis of the field data, the second hypothesis was rejected and the alternative hypothesis that there are more structural workers than cyclical workers was accepted.

The analysis of the previous employment shows that the workers had only irregular work and the majority of the workers did not have any contract or registration of enterprise. Expectation of income is the main reason for quitting the previous employment. Risk aversion, underwork and market constraints are the other causal factors. The analysis of the nature of current employment shows that the majority of the workers have regular employment. It is also found that compared to A-sector workers, B-sector workers have more regular employment, while none of the C-sector workers have regular employment. Besides, 97.19 percent of the workers are content with their present employment. The analysis of the factors affecting the occupational mobility of the workers from their present employment to future employment indicates that expectation of income is the principal causal factor for occupational mobility. Market constraints and underwork are the other major causal factors.

The analysis of the reasons for the choice of informal sector employment reveals that expectation of income is the reason for 203 workers (63.44 percent). The other major reasons are ease of entry (13.44 percent), independence (7.5 percent), unemployment (6.56 percent) and inheritance (5 percent).
The principal source of knowledge about the current employment is family connection for the majority of the workers (56.25 percent), whereas personal contact is the source of knowledge for 35 percent of the workers. The source is community contact for 5 percent, while for 3.75 percent of the workers have other sources like newspapers and journals.

The analysis of the source of starting capital reveals that 37.31 percent of the workers managed their starting capital out of the loans from the money lenders whereas 18.85 percent of the workers relied on the support of friends for their initial capital requirements. While 17.69 percent depended on banks and chit funds for their starting capital, 13.85 percent of the workers relied on the savings of their parents for starting capital. The relatives of the workers account for 12.31 percent of the source of starting capital of the workers.

The analysis of the process of skill acquisition for the current employment indicates that family plays a key role in imparting skills to its members. The majority of the workers (65.63 percent) acquired skills from their family, whereas 21.88 percent of the workers reported that they had no training before joining the current employment. This was so because no specific skill was required for their current employment. While 7.5 percent of the workers acquired skills through apprenticeship, 5 percent had other means like friends and training institutes.
The third hypothesis in this study is that there are significant intrasectoral linkages but intersectoral linkages are insignificant. The linkages between the three sub-sectors of the informal sector are defined as intrasectoral linkages whereas the linkages between the informal sector and the formal sector are defined as intersectoral linkages. In order to test the hypothesis, the sources of the supply of inputs and services and the market for the outputs of the workers have been analysed. Thus, on the basis of the field data, the hypothesis has been validated.

The analysis of the factors constraining the growth of employment in informal sector reveals that the lack of credit facilities is the main factor which constrains employment growth. While the majority of the enterprises of the workers (62.69 percent) face these constraints 28.08 percent of the workers are under market constraints. Besides, 4.23 percent of the enterprises face the problem of obsolete technology whereas five percent of the enterprises face other constraints like shortage of inputs, stiff competition and locational disadvantage.

In order to analyse the determinants of employment in the informal sector, two sets of multiple regression models have been constructed. In each set, there are one general model and three sectoral models. As it is difficult to measure the changes in employment directly, two proxies—monthly average earnings and work participation rate—have been used in the models.
The first general model is specified as follows:

\[
\ln E_j = a + b_1 S_{1j} + b_2 S_{2j} + b_3 Y_j + b_4 X_j + b_5 Z_j + b_6 F_j + b_7 O_j + b_8 W_j + b_9 A_j + b_{10} M_j + b_{11} R_{ij} + b_{12} R_{2j} + b_{13} R_{3j}
\]

Where \( \ln E_j \) is the natural logarithm of the monthly average earnings of the \( j \)th worker. \( S_{1j} \) and \( S_{2j} \) are the sectors of the \( j \)th worker. \( Y_j \) is the education of the \( j \)th worker. \( X_j \) is the experience of the \( j \)th worker. \( Z_j \) is the skill of the \( j \)th worker. \( F_j \) is the father's education of the \( j \)th worker. \( O_j \) is the father's occupation of the \( j \)th worker. \( W_j \) is the work participation rate in the family of the \( j \)th worker. \( A_j \) is the age of the \( j \)th worker. \( M_j \) is the number of adult males in the family of the \( j \)th worker. \( R_{ij} \), \( R_{2j} \) and \( R_{3j} \) denote the religious groups of the \( j \)th worker. \( a \) is the general parameter. \( b_1, b_2, b_3, b_4, b_5, b_6, b_7, b_8, b_9, b_{10}, b_{11}, b_{12} \) and \( b_{13} \) are the coefficients of the independent variables in the model.

The results of the model indicate that all the 13 variables together explain 93 percent variation in the average monthly earnings of the \( j \)th worker. The value of the intercept (\( a \)) term is 6.43 and can be interpreted as explaining the total contribution of other factors not included in the model. The two sectoral dummy variables, education, father's occupation and the age of the worker are found to be significant at one percent probability level whereas work participation rate and father's education are found to be significant at five percent probability level.
Model - II is specified as follows:

$$\ln AE_j = a + b_1 Y_j + b_2 X_j + b_3 Z_j + b_4 F_j + b_5 O_j + b_6 W_j + b_7 A_j + b_8 M_j + b_9 R_{1j} + b_{10} R_{2j} + b_{11} R_{3j}$$

Where $\ln AE_j$ is the natural logarithm of the monthly average earnings of the $j^{th}$ A-sector worker. There are no sectoral dummies. The rest are the same as in the first model. The step-wise regression results show that 5 variables together explain 86 percent variation in the dependent variable. While education, father's occupation and age are found to be significant at one percent, the religious groups $R_1$ and $R_2$ are significant at 10 percent level.

Model - III is specified as follows:

$$\ln BE_j = a + b_1 Y_j + b_2 X_j + b_3 Z_j + b_4 F_j + b_5 O_j + b_6 W_j + b_7 A_j + b_8 M_j + b_9 R_{1j} + b_{10} R_{2j} + b_{11} R_3$$

Where $\ln BE_j$ is the natural logarithm of the monthly average earnings of the $j^{th}$ B-sector worker. The rest are the same as in the second model. The step-wise regression results indicate that 6 variables together explain 93 percent variation in the dependent variable. Education, skill and the age of the worker are found to be significant at one percent whereas father's occupation is significant at 5 percent.

Model - IV is specified as follows:

$$\ln CE_j = a + b_1 Y_j + b_2 X_j + b_3 Z_j + b_4 F_j + b_5 O_j + b_6 W_j + b_7 A_j + b_8 M_j + b_9 R_{1j} + b_{10} R_{2j} + b_{11} R_{3j}$$

Where $\ln CE_j$ is the natural logarithm of the monthly average earnings of the $j^{th}$ C-sector worker. The rest are the same as in the second model. The step-wise regression results show that three variables together explain 95 percent variation in the dependent variable. While education and age are significant at one percent,
father's occupation is found to be significant at 5 percent level.

Model - V is specified as follows:

\[ WPR_j = a + b_1 E_j + b_2 F_j + b_3 C_j + b_4 R_{1j} + b_5 R_{2j} + b_6 R_{3j} \]

Where \( WPR_j \) is the work participation rate in the family of the \( j^{th} \) worker. \( E_j \) is the monthly average earnings of the \( j^{th} \) worker. \( F_j \) is the number of females in the age group of 15-20 in the family of the \( j^{th} \) worker. \( C_j \) is the number of children below 15 years in the family of the \( j^{th} \) worker. The rest are the same as in the first model. The step-wise regression results of the model indicate that the number of adult females, children and the religious dummy variable \( R_2 \) are significant at one percent whereas the monthly average earnings are significant at 5 percent level.

Model - VI is specified as follows:

\[ AWPR_j = a + b_1 E_j + b_2 F_j + b_3 C_j + b_4 R_{1j} + b_5 R_{2j} + b_6 R_{3j} \]

Where \( AWPR_j \) is the work participation rate in the family of the \( j^{th} \) A-sector worker. The rest are the same as in model - V. The step-wise regression results show that the two variables \( F \) and \( C \) together explain 68 percent variation in the dependent variable. Both the variables are significant at one percent, while \( R_3 \) is significant at 5 percent level.

Model - VII is specified as follows:

\[ BWPR_j = a + b_1 E_j + b_2 F_j + b_3 C_j + b_4 R_{1j} + b_5 R_{2j} + b_6 R_{3j} \]

Where \( BWPR_j \) is the work participation rate in the family of the \( j^{th} \) B-sector worker and the rest are the same as in model - V. The step-wise regression results indicate that the variable \( F \) is significant at one percent whereas \( R_1 \) is significant
at 5 percent level. But the value of the coefficient of multiple determination is very low (only 16 percent).

Model - VIII is specified as follows:

$$CWPR_j = a + b_1 E_j + b_2 F_j + b_3 C_j + b_4 R_{1j} + b_5 R_{2j} + b_6 R_{3j}$$

Where CWPR\(_j\) is the work participation rate in the family of the \(j\)th C-sector worker and the rest are the same as in model - V. The step-wise regression results show that only the coefficient associated with adult females is significant at 10 percent level.

To conclude, the study has many policy implications. Contrary to popular perception, employment in the urban informal sector is not transitory as it has been proved that there are more structural workers whose occupational mobility is only within the informal sector than cyclical workers who have unlimited mobility. The study also reveals that while there are significant intrasectoral linkages, intersectoral linkages are insignificant. This implies that the urban informal sector is not dependent on the formal sector of the economy for its growth and development. Hence, informal sector deserves special attention of the policy makers. Further, within the informal sector the focus of fiscal and monetary policies should be on the B-sector, i.e. the self-employed segment of the urban informal sector, as there is significant intrasectoral occupational mobility in favour of this subsector.