CHAPTER : FIVE

BARRIERS OF DEVELOPMENT OF THE INFORMAL SECTOR AND SOME RELATED ISSUES

ONE HUNDRED TWENTYEIGHT
Summary: The growth of informal sector suffers highly due to its complete subordination to the formal sector in both inputs and outputs market. To outline the basic facts, the informal sector, due to the absence of bulk purchase and credit facilities, pays high price for the required inputs and receives low price for its product whether wage goods, subcontract or personal services, as the output market is dominated by the formal sector. Besides, there is fierce competition among the producers of the informal sector and a prejudice to prefer formal sector products. All of these are the obstacles for the growth of the informal sector which must be considered while prescribing any ameliorative policies for this sector.

Irrespective of the fact that the informal sector faces a lot of difficulties and, in fact, exists in an impasse, yet this sector will survive due to the existence of the following factors: Firstly, imperfection in the product market which includes price differentials. The other reasons which are to be noted in this respect are: demand segmentation, accessibility, long business hours and the growth of a typical relationship between the buyers and the sellers; all of these favour the small shop keepers of the informal sector. Secondly, imperfections in the factor market which is related mainly to the type of organisation and mode of production. The informal unit has a low requirement of capital and that too can be utilised for dual purposes of production and consumption. In addition, most of such units are family owned which, in turn, indicate an excessive use of family labourers. Therefore, it can be postulated that the implicit cost of such factors like labour and capital is lower in the informal sector than in the formal sector. Thirdly, imperfection in the labour market.
Due to this reason, the informal unit owners, irrespective of the possibility of higher income in the formal sector, cannot move out of their present activities since, to close down their present occupation would simply create a jobless situation for the rest of the family members and Fourthly, imperfection in the capital market. Analysis shows that though the rate of return on capital in the informal sector units is higher than that of the formal sector, the owners of the former sector cannot accelerate the investment of capital due to its dual use. Furthermore, if there is any restriction on the capital availability for outside investment, there would be the presence of labour market problem.

Next we have discussed the issue like whether the trade unions could improve the working conditions of the informal sector's workers. Citing the example of the Calcutta's hawkers union, we have shown that such unions are affiliated to several National parties and their roles are doubtful. The trade unions of the hawkers of Calcutta have not yet been received any major success. In addition, these unions are characterised by poor leadership, corruption, inefficiency etc. There is difference in opinion whether the hawkers without having valid licences should be allowed in street selling or should be considered as a member of such unions. Some of the members of such unions might improve themselves to middle class businessman, if their capital and experience is considered so far. But, there is no similar possibility for the major section of hawkers as the activities of their trade unions are mainly limited to retain the right of street selling only rather than to improve the working conditions of the hawkers. Besides, there is no sign of subproletarian solidarity and different sections of the urban poor
of Calcutta possess negative outlook towards the street sellers. Under the prevailing circumstance, there is no indication for a joint movement amongst the participants of all street occupation found in Calcutta.

This is followed by an analysis of the nexus between the formal and the informal sector. Such a nexus is characterised by the dominance of the former sector. The process of transition between these two sectors exhibits two extreme poles, namely, proletarianisation and evolution of the capitalist mode of production. The latter depends on the upgradation of production process and personal contact. Both of these have an effect on the level of accumulation of capital. Of course, such an upliftment is extremely difficult to achieve as most of the 'profitable' ventures have already been occupied by the capitalists of the formal sector. However for the sake of a favourable growth, the informal petty producers must be 'selective' to maintain relation with those from whom they could gain advantages and preferences. Two examples of subcontracting have been considered for an elaboration of this aspect which show that the informal petty producers who fulfil the actual contract by performing necessary works relating to it, are the victims of sheer exploitation. The subcontractual relation, in fact, transfers the lion's share of the contract price to the formal sector. The informal unit owners, to be frank, might have a command only on the wage bills which help some of them to become small capitalist but for the majority there is no such possibilities unless, a rapid change takes place in every sphere of the developing country's economy.

Since to discuss about the informal sector invariably demands an analysis
over its labour market, hence, finally, we have considered this issue. Our analysis is based on our field study which we have conducted over one of the slum area of Howrah (a district adjacent to Calcutta). Our study disclose that the kinds of jobs as performed by the informal sector's workers, are to a large extent, caste specific. This fact is associated with the labour market imperfection of the informal sector. The higher and the middle Castes of the Hindus have been noticed dealing with various types of trades while the lower castes and the untouchables are performing mainly the odd jobs. Yet, it would be imprudent to consider that caste alone prevails in the gateway for being entered into the labour force of the informal sector.

The labourers are being acquainted with the informal units from their early age which starts with an unpaid on-the-job-training for a few months. It is followed by an apprenticeship with marginal rate of wage. The period of apprenticeship varies according to the type and nature of job. It is, of course, difficult to have a precise notion about the tenure of apprenticeship, as countless activities are carried on within the informal sector. After the expiry of a considerable time of apprenticeship, most of the labourers attempt to be an independent unit owner. While a few labours succeed, the majority, however fail to accomplish their goal. Besides, in general, the workers are highly indebted to their employers which act as a barrier for the former to take up jobs where more economic incentives are offered.

There exists division of labour in the informal units. Example of organisation
of labour (both horizontal and vertical) is also a common feature. Apart from it, the unit owners, in some cases, group themselves by commodity. The sole object of these groups is to protect or practically, to continue their existence and not to ameliorate their conditions (a good similarity with the object of the hawkers union of Calcutta) such a narrow object makes these groups economically less significant.

In the informal units, under our study, castes and technical qualifications are too much intermingled. Of course, it does not mean that particular jobs are carried out by technically unhandy members of particular castes. Again, the informal units select its personnel in a manner similar to formal sector. The contractual relation between the employers and the employees of the informal units is the most vital point where castes or place of domicile play no role at all. In fact, different similarities between formal and informal sector draw the latter nearer to Webber's organisational norm. In a sense, to compartment the labour market by formal/informal dichotomy is rather counter productive specially when there is 'formal' nature within the informal sector and the vice versa.

In fact, the informal sector acts as a brake on industrial expansion rather than evolve gradually and merge into the formal sector. Informal units exist in the marginal pole of the capitalist mode of production and it provides an opportunity to the young people to get an entry into the formal sector. In our field survey, we have come across several people who either move between informal and formal sector in different parts of their lifetime or like to enter into the latter from the former. Both formal and
informal sector contain people related in various ways to the means of production and to the means of circulation.

In the conclusion, our opinion is although the existence of informal sector may not be identifiable in the official registers yet it exists in the structural opposition to the formal sector. In one side, the growth of the informal sector is rather involutionary as its system of production is virtually trapped in an impasse while in other side, there is the mammoth pressure of unemployment which falls squarely on the petty producers of this sector. Thus, there is a resultant mass-impoverishment. In the midst of this situation, the future of petty producers appears bleak. Each generation of them that undergoes marginalisation suffers from a loss in terms of their accumulated skill. As the masses are off the main track of development, there should be a radical change in the structure and orientation of the under-developed economy before we could provide real benefit to them.

Of course, there is atleast one example where the informal trading activities are capable to compete with the modern units. Yet, this is not sufficient to forecast any particular trend for the long run. Therefore, the inter-relationship between formal and informal sector which are juxtaposed in the urban economy of the developing countries should be explored further before drawing any general conclusion in this regard.
THE OBSTACLES:

To be frank, informal sector, as noticed in the developing countries, is in an impasse. It exists in the lower echelon of the capitalism. The total process of accumulation is determined outside the informal sector of which it has no control. Likewise, the capacity of accumulation of capital in the informal sector is limited due to its limited access to modern inputs and to product: markets. The implication of this can be realised easily. The lack of access to basic inputs of production (as the input markets are monopolised by the formal sector) determines that informal sector can operate only with the residual resources which, in turn, keep this sector away from any possibility of technological upliftment.

Again, due to the limited access to product markets which are dominated by the oligopolistic firms of the formal sector, the possibilities of expansion for the informal sector is subordinated.

Product market subordination and limited access to basic inputs are reinforced by different mechanisms on the informal sector in such a way that the surplus generated by the latter is extracted from it. These mechanisms can be identified in the exorbitant price of the inputs (paid by the informal sector) and in the lower price of the outputs (received by the informal sector). The difference is reaped by the formal sector. (Bose '74, Gerry '74, Bienefeld '75).

Therefore, due to this market constraint, the informal sector serve as a cheap labour outlet for the formal sector. The units operating within the formal sector obtain the surplus at the production level.
The degree of dependence and the direction of the links vary according to the types of goods. For example: the agricultural sector is the main supplier of the raw foodstuffs. The latter comes to the market either directly through open market operation or through wholesales. But in case of textiles or processed foods, there is a direct linkage with the manufacturers or wholesale of the formal sector.

On the output side, the subordination linkage operate through different channels. Firstly: the sale of wage goods which, in turn, help to swell the degree of exploitation. Secondly: the subcontracting. In this case, the informal activities which sell their output to large firms of the formal sectors generally receive a smaller price than the labourers who carry out the same function within the formal sector. Thirdly: the sale of personal services which is characterised by a small and stagnant returns due to the scarcity of additional job opportunities and low income elasticity.

However, there is subordination in both input and output market. The price at which the informal sector purchases inputs are generally higher due to the small quantity purchased and the non-existence of credit facilities. On the other hand, the sale price of putput is lower due to the fact that the entire output market is controlled by the formal sector.

Besides, there is the existence of a bias which goes against the consumption of the informal sector's products. This is evidenced within the formal sector. As a consequence, the rate of growth of the informal sector suffers to a large extent.
It is evident from above that the lack of access to resources and product markets causes for a limited capacity of accumulation and thus of expansion of the informal sector.

There is clear and considerable linkages between formal and informal sector in the context of purchasing and selling of inputs and outputs respectively. This linkage can be viewed as one of domination and subordination. There is no equality either in the extent of or in the nature of this linkages.

In addition to above, severe competition\(^{(a)}\) and accelerating differentiation among the informal sector's producers together with the proliferation of small workshops and micro trading concerns have an incremental effect on the problems confronting most of the working masses in obtaining adequate access to the means of subsistence. Due to this reasons, the informal units are forced to underutilise their available skills, to use inputs of low Quality and to suffer from grave restriction on their capacity to even reproduce their present conditions.

**FACTORS RESPONSIBLE FOR THE SURVIVAL OF THE INFORMAL SECTOR:**

The informal sector, as evident in our above discussion, is confronted to a lot of obstacles. Consequently, one might consider that such impediments would have an impact to reduce the informal sector activities in the long run. But, as there is the continual existence of some particular factors in the developing country's economy, the informal sector will exist for good.

In this regard, one might refer to a study\(^{(b)}\) which was centred round the

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question like "what will happen within the commercial sector, since competition between different productive units could lead to a decrease in informal commercial activities?" This was first anticipated by Sansone (1977). His study enlightens the factors for which the informal sector not only survives but also acquires the competency to vie with the modern units of the formal sector.

Though it is true that there is an overall increase in the market share of the formal sector, but nevertheless, a declining trend of the informal commercial activities is yet to be noticed (as it was anticipated by Sansone 1977).

The price differentials between the modern units and the informal units should be considered in this respect. The study mentioned above, revealed the fact that such differentials vary according to the types of products and are not homogeneous.

The price differentials can be analysed with the help of the following factors: Firstly, a certain part of the price differentials are normal deviation in commerce. Secondly, 'quality' plays a good role in such differentials and thirdly, for evaluating price differentials 'location' and 'proximity' of the competing units should not be left outside.

Considering all these factors, it can be said that the informal small units will survive and will retain demand even in the face of competition due to the prevailing imperfections both in the product and the factor markets. For a better understanding, it can be discussed separately as under:

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Imperfections in the product market

Imperfection in the product market is the result of demand compartmentalisation due to various factors. These need some features of the productive units which are most common to the informal small shops than the modern units of formal sector like supermarkets. The poor purchasing power of the masses along with their income fluctuation and the need to consume a basket of goods with some diversification induce a particular type of demand. One of the characteristic of such type of demand is regular purchasing of a variety of goods at a lower quantity.

This type of demand has a direct effect on the production unit. Because, as a consequence of this effect, the latter turns to be such a unit which is characterised by the ability to sell in small fraction, little product-mix diversification and accessibility both in terms of location and business hours.

The above factors have an adverse effect on the earnings of the modern units of the formal sector. Because, technological change, so far as commerce is considered, is highly related to economy of scale and product diversification. In order to ensure the former, particularly in an area where lower income group resides, there must be a considerable distance between the units. Small informal units dominate in such areas of the poor consumers because they could sell in as small quantities as required.

Question may raise as to why the modern units of the formal sector cannot sell at a small quantity? The reason lies in the technological confinement since the maximum part of the profit of such units is earned through bulk
purchasing and packing mechanically in standard units. This method, however, minimises labour in connection with sale.

The product-mix diversification required by the low income household is very much limited either in terms of number of products or in terms of branches and qualities. The small informal shops in general keep the main products of a single quality. But for the modern shops of the formal sector product differentiation is the only way to compensate for those commodities where margin of profit is comparatively low.

As the frequency for purchasing goods in the lower income areas is relatively high, it requires that shops established in such areas must be accessible because both time and transport costs can change consumer's decisions. The general tendency of the modern shops of the formal sector is to select a location where higher income group resides. It is just the reverse for the small informal shops which are established mostly in the areas of lower income group. Besides, the modern shops of the formal sector are generally located either in the main street or in the shopping centres while the small informal shops are located in any areas ranging from secondary streets to narrow lanes where there is no public transport facilities. The requirement of accessibility includes a flexible and long business hours. The modern shops of the formal sector can not compete with the small informal shops in this regard because of their limited business hours. The latter, however, remains open for a long hours in a day including sunday.

Finally, the personal relation which develops between the consumers and the owners of the small informal shops should also be counted in this regard.
such relationship is responsible for the imperfection of product market as it has an influence over the functioning of the market in various ways starting from assisting the customers to purchase the right products, to the possibilities of sending children to shops, meeting the neighbours, glancing over the newspapers. The consequence of this relationship is that it lets an opportunity for the owner of the small informal shops to estimate the credit worthiness of the customer. The former, on a personal basis, gives credit to the latter which, in turn, reinforce the small purchasing capacity of the clientele.

Imperfection in the factor markets
The products which are sold by the small shop keepers of the informal sector at a comparatively high price than the modern units of the formal sector ensures a profit margin for the former. The advantage of the former is, irrespective of high price they charge to the customer, there is no question of paying sales tax and surcharges. But, for the latter, no such benefit is available.

On the other hand, the modern units like super markets of the formal sector have several other advantages. They posses bargaining capacity and get discount for bulk purchasing as well as obtain credit facilities at better terms. The transport cost is minimum as most of them have their own vehicles. Besides, such units purchase directly from the producers in most cases which has double benefits: firstly, by avoiding the middlemen, they are getting the necessary products at a cheap rate and secondly, they obtain discounts for buying in large quantities.

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The above facts indicate that the gross margin would be much higher for the modern units of the formal sector due to the effect of both savings and discounts connected with purchase than that of the small shops of the informal sector. The question then raises: "how the latter survives in the long run?"

To answer for it, the imperfections of the factor markets should be analysed which are mainly related to the form of organisation and the production process of the small shops of the informal sector. Here, one would have to recall the basic features of the latter. The units belonging to this sector are mostly family owned, majority of labours are self-employed and the production functions are closely related to the consumption function. The implicit factor prices are determined in a separate way in such units which do not conform to those existing for the production factors used in the rest of the economy. Due to this reason, the implicit price for labour is much lower in the informal sector (as there is the employment of family labour) than that of the formal sector. Besides, although the implicit cost of capital relative to the price of labour is higher due to the scarcity of capital, but the low capital requirement of the informal sector's units along with the dual use of capital (i.e. both for production and consumption) ensures a lower implicit cost for this factor also.

**Imperfections in Labour Market**

The wages of the paid workers of the informal units and that imputed to the unpaid family men is in no case greater than what they could earn if they are provided with job opportunity in the formal sector. The same view can also be expressed for the owners of the informal units who could
have a better earnings in the formal sector than their present income. Collins and Garrod (’71) made an interesting study in this respect. They found that even when sex, age, education and working hours are homogeneous, there is still a difference between the earnings of the informal unit owners and that of the self-employed in the rest of the economy.

It is questionable as to why the informal unit owners deprive themselves from a larger share of income what they could earn from the modern units of the formal sector? Apart from the availability of limited occupational opportunities and the adverse personal characteristics which stand against mobility, the organisation of production on a family basis assists to retain their present position creating a type of labour market segmentation. If they shut down their present operation, the family members will be deprived of job opportunities who generally are not available for whole time jobs, as is the case for wife and children of school age who allocate their time amongst the study, the household duties and the production activities.

Imperfection in capital Market

In the informal sector’s unit, returns on Capital employed are, in fact, a part of the total implicit return. In other words, the actual business capital is lower than it usually appears.

However, if the rate of return on investment of the informal sector's units is compared with that of the formal sector's units, it can be seen that capital is used more efficiently in the former sector than in the latter sector. The Study\(^{(g)}\) we referred above disclosed that monthly return on
capital for the informal commercial establishments is 2.3% when for the super market such return is only 1.9%.

However, the informal unit owners can not invest all his capital as the latter is used for both purpose, namely production and consumption. If the availability of capital for outward investment is limited, such unit owners, for the purpose of compensating his return on capital, would have to find a job for himself. Otherwise, he can not be able to upgrade himself in his present level of earning. In such a situation, there will be a problem for finding a suitable job for the unit owners. In addition, it will also restrict the job opportunities for the remaining family members. In short, it will create the same labour market problem which we have discussed already.

TRADE UNIONS IN THE INFORMAL SECTOR

An organised movement of the workers of the informal sector may revive their condition. Though, the worker of this sector is characterised by non-unionism, but there is at least one exception. There exists a number of unions amongst the street traders of Calcutta. Let us illustrate how far they have been able to improve their working conditions through organised movement.

A considerable number of the street hawkers of Calcutta take their membership in any of the three registered trade unions presently established in this city. Of course, a portion of the members have valid trade licences and permits. These trade unions are, in turn, affiliated to major political parties. Considerable doubts can be expressed regarding the roles such unions play amongst the 'independent' workers. The latter is not the wage earners, nor they have any well defined employment relationship. Besides, most
of the major trade union movements are not at all interested or linked to the hawker's unions. The trade unions of the street hawkers of Calcutta are yet to receive any major success in general. Although, such unions fix up a very low subscription for its members, nevertheless the latter is notably reticent to pay their dues. These unions are characterised by individualism, inefficiency and corruption particularly for the leadership. At least two other incipient trade unions of the hawkers of this city had been abolished during the last decade due to overall apathy, poor leadership, corruption and inefficiency. Every unions try to create pressure to the authorities to support only it's own members and there is conflict amongst these trade unions due to their affiliation to different political parties and, hence, receive patronage from different urban elite groups.

According to one spokesman of one of the hawkers union, the metropolitan authority of Calcutta should not indulge those hawkers who are operating without any valid licences and the membership of such illegal hawkers should be cancelled from the respective unions. It indicates that at least one union invites oppressive measures for being taken against the majority of hawkers; since, a majority of the hawkers are carrying out their jobs without any valid licences.

Amongst these trade unions, there are some prosperous hawkers who have capital and experience and want to proceed towards a prestigious 'middle class' business. There is the total absence of 'subproletarian solidarity' which is rather replaced by factionalism and self-interest in these unions. The activities of these unions are mainly centred for retaining or defending
their rights to work rather than ameliorate the conditions and earnings of the work.

Another striking feature is that there is a little solidarity between the street hawkers and other sections of the urban poor. The hawkers unions of Calcutta represent a small and comparatively impecunious category than other trade unions of Calcutta. The latter shows little interest about the movement of the former. The registered shop keepers of Calcutta often criticise the street hawkers on the ground that the latter evade taxes which they pay regularly. The point to be noted is the registered small traders of Calcutta are no longer better off than the street hawkers.

The other section of the urban poor, specially the bus and taxi drivers also have a negative outlook towards the hawkers of Calcutta. They consider the latter socially inferior. They also resent as the latter create considerable nuisance to passing traffic. The city of Calcutta is yet to witness an organised or spontaneous movement amongst the participants of all street occupations like begging, hawking, vending, shoe shining etc. "Both socially and economically, the dominant links which affect street traders are vertical rather than horizontal and 'proletarian' or 'sub-proletarian' solidarity against elite interests is little more than a dream".

**DOMINATION AND SUBORDINATION**

We have already pointed it out that there is a linkage between the formal and the informal sector where the former dominates always. This is one of the major cause which makes the informal sector subservient to the
former. For this reason, the dominant and subordinate relationship should be explored. But, before that, it would be prudent to analyse the process of transition which will facilitate to understand such relationship.

The formal sector, as it is directed and regulated by the capitalist, may logically consider as the capitalist sector. The latter destroys all elements of the pre-capitalist procedure of production and rectifies other according to its mode of operation. It is essential, therefore, to illustrate the ongoing process of dissolution-conservation as it characterises all relations of production between the capitalist sector and the informal sector. The process of differentiation has two poles of transition, namely, proletarianization and a movement in the reverse direction. The former is a process which draws a portion of the informal petty producers, the 'unemployed' migrants into direct relationship and capitalist mode of production while the latter can be clarified as an improving establishment of the capitalist system of production. Both the fringe are, however, supposed to be partial and affected by structural confinement in a sense that without an enormous employability of the capitalist sector, the informal petty producers can not become industrial wage earners en masse. The two poles of transition are articulated together and dependent on the strategies and actions of the capitalist sector and the reaction of the masses to their changing objective conditions.

The process of transformation from informal petty production to capitalist production (namely, the transformation of relations of personal dependence to those enabling surplus to be generated, appropriated and accumulated)
emerges through an increment (i) in the level of employment, (ii) in the value of the means of production and (iii) in the stability in wage-employment. Among the informal petty procedures, differentiation can easily be noticed. The majority of such producers are having equipments of a very poor quality and narrow workshop while a few others acquire second hand machineries and equipped workshop. Very often, the expertise of this sector is not utilised properly. But, there is every sign that these producers are able to produce superior and profitable goods. The necessary condition for the evolution of an informal petty producer into a small capitalist manufacturer rests in the capacity for making the process of production more equipped and in the development of the relations of production commensurate with the accumulation of capital. On the other hand, a static condition will prevail as long as the former will reproduce the same amount of capital with unaltered objective conditions of production.

But the evolutionary transformation for the informal petty producers is too difficult to achieve because most of the profitable or potential avenues have already been occupied and more practically monopolised by the capitalist sector. The minor avenues where the latter is yet to advent are those which are still to be proved as 'profitable' for the capitalist production.

The informal petty producers have a predilection towards these minor avenues like property development, duplication of the prevailing production process, transport activities etc. These are the areas where both the 'Have' and 'have nots' informal unit owners intend to invest. Having a 'target' of this sort, how such owners could make headway towards capital accumulation and under what conditions is this feasible?
Apart from this, a favourable transformation for the informal sectors producers towards small capitalist production requires the accessibility to bank or private credit facilities. In addition, there is the need to develop personal relations for the acquisition of credit and business orders. The search for the latter is in tune with the improvement in the level of technical and social relations of production which characterise such a transition where in the owners of the means of production undertake more and more responsibility of purchasing and marketing and gradually part himself with the mode of physical production. If wage-employment is so evolved, the production will be oriented towards the accumulation of wealth instead of mere reproduction. For the sake of progressive growth, the informal sector's producers must maintain and preserve a link with those from whom advantage and preference can be gained. Accordingly, there might be numerous transitional forms of production process. Instead of prescribing a typology of such transitional forms, in the following part we will illuminate the mechanism through which the informal petty producers are articulated with the dominant capitalist system.

Two Elucidative Cases

Two cases of articulation between the dominant and subordinate elements based on the Calcutta's metropolitan economy have been illustrated below. These will disclose the multiple mechanisms of exploitation at work. In addition to that, these will also highlight the twin poles of transition which affect the informal petty producers. These poles are, as mentioned already, the gradual development of capitalist relations of production and the concomitant process of proletarianization.
It is important to note that the persons, who are involved in the transition to capitalist accumulation and getting benefits as such, may not be always the producers of the informal sector. Although, it is undeniable that the productive operation of the latter acts as a focus of that transition. In many cases, the ability to start manufacturing activities informally has been gained through savings from past employment.

Even where the informal unit owners are enjoying real benefits in exchange of their labour to capital (although, it does not mean that they are advancing too far along the way to capitalist production) the labourers of such particular units are suffering from the limited exploitation by the owner of the means of production. They also suffer from additional exploitation (transmitted through their employer) for the sake of the benefits of string of capitalist subcontracts, bureaucrats, suppliers of raw materials etc. The latter are in the possession of commodities long before the entry of the labourers into the informal petty production process. This chain of exploitation can involve many diverse elements.

The capitalist mode of production by way of its commanding heights over the economy and by its mechanism to increase the labour's productivity through sophisticated tools and equipments not only obstructs the progressive growth of the informal sector but also imposes the burden of redundant labours which, in turn, swell the size of the labourers of the informal sector. The latter trend helps the capitalist sector to minimise long term wage costs.

The government contract of commodities within the productive capacities
of the informal sector's producers might be considered as a case for illustrating the tendency of the small capitalists. The latter occupies the mid-position in between the actual producers of the informal sector and the ultimate customers. Such small capitalists or the contractors in particular, are having a possession of quasi monopoly of contracts and information regarding the public and private sector contracts irrespective of their considerable ignorance about the production process required to execute such contracts. These contractors utilise their accumulated wealth by procuring orders, contracts etc. which they then farm out to the petty producers of the informal sector. The latter, not being able to obtain the necessary licence, is unacceptable either to the government or to the private sector.

The formation of cooperative amongst the informal petty producers of this sort might be a good solution as in that case, the latter would be able to secure the contracts directly in the name of the cooperative. It will also help them to share the actual remuneration which would otherwise appropriated by the contractors. The point to be noted is that the individual members of such cooperatives have often a little confidence in being able to compete successfully with the established contractors. On the contrary, they like to rely on securing smaller contracts individually from the latter. Thus, the petty producers of the informal sector "... are unable to benefit from state or other contracts in direct sense, their small-scale and consequent lack of economic 'muscle', their limited access to information and wide spatial dispersion permitting the rise of a new stratum of enterprising brokers". (i)
The surplus value created by the accumulation of wealth together with the effective personal contracts enriches the small capitalists without any actual involvement in the production process. Reverse is the case with the informal petty producers who undertake the total responsibility of absorbing much labourers for whom the capitalists have no liability. Still, the informal sector units are subject to high exploitation through the price system and through the legislated discrimination. This fact makes it clear that the capitalist sector appropriates the 'cream' (i.e. the struggle or the power of survival) of the informal sector. Yet, the limited success, the unit owners of the latter sector achieve serve to keep them ideologically committed to individual perseverance.

Let us consider another case which discloses the usual practice of subcontracting in the construction industry. Besides, it explains how contractual relations might provide the mode of articulation between the capitalist accumulation and the gradual proletarianization of the indigenous workers. The construction companies whether foreign owned or indigenous act as the main contractors for building up housing complex and other construction jobs and provide few personnels at site. The entire work is then subcontracted to different independent contractors, some of whom complete the work themselves while others are, once again, subcontracting their portion of work to jobbing builders. The latter, like the subcontractors, either carry out the necessary work themselves using their own paid staff, apprentices and journey men or again subcontracted to others.

This process of subcontracting allows the unproductive middlemen to appropriate
the major portion of the contract value. But those who perform the work actually earn either a little (in the case of jobbing builders) or nothing at all (in the case of apprentices).

The chain of subcontracting also depicts that the major portion of cost which is deemed to accrue to the main contractors (i.e. the capitalist firms) is, in practice, borne by the lower tier (i.e., by the subcontractor of the subcontractor). It also supports the main contractor by reducing the total wage bills including perquisites to a countable labour force. However, in construction work, this is a common situation throughout the world still the picture of exploitation and appropriation is much clearer in the context of developing countries due to abundant labour and scarce jcb opportunities.

The cases, mentioned above, illustrate the employment linkage between the formal and the informal sector through subcontractual relations and the process of transferring value through the general price system. The informal sector's producers have a command only over his own labourers, the principal aspect of which is a domination over individuals as he can neither manipulate the input prices (other than labour) nor the market price of his product to any considerable extent. Therefore, the unit owner of the informal sector is capable to regulate only the wage bills (both for his own labour as well as for his subordinate workers). Nevertheless, with the resort of savings over a period of such wage-employment, some of the informal unit owners upgrade themselves to small capitalists. Thus, only to a very few informal petty producers, wage-employment for a number of years lets an opportunity of accelerating the volume of savings and useful

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contacts. These, in turn, have potential value to the individual embarking on self-employment.

The majority of the informal petty producers, however, consider their position unstable as their liquid funds is too short to stand against the intense competition. Unless a radical change takes place in every stratum of the economy of developing countries, considerable doubts can be expressed for the success of the majority of informal unit owners.

It is important, therefore, to explore into the problems of these non industrially employed and then to prescribe policies accordingly.

**STRUCTURE AND FUNCTIONING OF LABOUR MARKET IN THE INFORMAL SECTOR**

Any discussion relating to informal sector would not have been completed if it does not consider the labour market of this sector. For an overall development of the informal sector, it is essential to know the structure and functioning of the labour market in such sector. This is also important for the purpose of policy making.

Within the urban economy of HOWRAH, the roles as found in the informal slum units in Nandy Bagan, adjacent to PILKHANA (one of the major slum area of HOWRAH) are highly differentiated. To a great extent, these roles are related to caste or traditional occupation. Thus, role differentiation is concomitant with the imperfection of labour market.

The higher and the middle caste of the HINDUS, namely Brahmins, the Baidyas and the Kayastas, are generally carrying out such jobs like book
binding, tailoring, embroidery and various types of designing, printing etc. The rural craftsman who settled here long ago have become goldsmiths, carpenters and brass vessel traders. Again, garland making, black smithy and bangle selling are also caste specific. The muslims generally found in tailoring, biri binding or in shoe making. Traditional potters manufacture aluminium vessels, washermen set themselves in dry cleaning.

The lower castes as well as the harizans (the untouchables) are noticed dealing in wines and have a special ability for chopping wood, removing coir from coconuts, cleaning sewers etc. Besides, they are also related to various arduous and virtually polluting tasks.

In the manufacturing industries particularly those related to the production of subsidiary engineering goods (mainly concentrated in the Belilious Road, Howrah) the Bengalis (a division of the Hindus) are the dominant class. While in jute industries of Howrah, the major portion of labourers are the immigrants of Bihar, UP and Orissa. However, all these examples of traditional differentiation should not obscure the fact that caste by itself does not play a determining role in entry into the labour force of the informal sector.

The entry into the labour force of the informal units starts at a very early age with a few month's unpaid on-the-job-training which could well be considered a test of such qualities like honesty and intelligence. It is followed by an apprenticeship at a subsistence rates of wage.

The tenure of apprenticeship varies depending on the types of job. It takes three to five months to train a footh path tea stall waiter, four months
for a helper of ragi retailer's shop. Bicycle repairing takes on an average six months. Weighing, measuring, making paper cones and other related jobs of provision shops also take six months.

It takes at least one year to learn how to assess the value of jewels for the purpose of pawnbroking while making jewellery as per design books takes some five to seven years, depending on age and perceptiveness. Learning to manufacture wooden furniture takes about two years. The same period is also needed for learning how to mend pumpsets and related machineries. To become an expert of power-driven saw needs a training of about three years. Tailoring which includes diversified products (like frock, blouse, petti coat, shirts, trousers etc.) needs two to three years training.

However, it is difficult to determine whether within the informal sector the apprenticeship period is longer in trade or in manufacturing. This is because this sector is characterised with countless activities. Nevertheless, it can be said that this sector transmits skill through the supply of trained employees.

There exists occupational rigidity for the workers other than those who are employed in the electricals or in the petty engineering units. At the end of apprenticeship, a considerable portion of the employees try to accumulate capital for being established as an independent unit owners. Only a few of them can fulfil their mission. Such employees are characterised by a high degree of indebtedness to their employers. The use of incentives to attract desirably 'trained' employees is confined by indebtedness. It may be considered as exploitative since as found in many cases, indebtedness
is the cause behind the stability of labour force. According to Scott "... objectively measured levels of exploitation, if it is possible to calculate them, may not be recognised as such by participants who have their own criteria of injustice."(i)

There exists precise division of labour in almost all types of informal units established in Nandy Bagan. In addition, there are several forms of organisation of labour. For example, horizontal organisation can be marked amongst those who mainly depend on brawn or amongst the owners of capital and skill. But such example is rare amongst the 'apprentices' who are interested only in accumulating capital, if possible by currying favour with an employer, or are vertically cemented by debt.

The entry to the gang of urban collies is restricted by the recommendation from a member, caste or village of origin. Comparatively few horizons (untouchables) are allowed to enter into such gang. Each gang operates in a particular territory with separate gangman who distributes works, earnings and negotiates piece rates. Truly proletariat are engaged in garbage picking, begging, sifting sewage and waste from ditches in search of any article, starting from junk, rubber to even 'gold dust' which might have some resale value. Sometimes, they also manage casual work in the informal slum units of Nandy Bagan or Pilkhana.

Organisation of the owners of Capital reflects various types of interest and activity. As found in some cases, petty producers of the informal sector group themselves by commodity. The raison d'être of these groups is only to protect their own interest particularly when their livelihood is threatened.
These groups have, therefore, a little economic significance.

So, there is clear evidence for specification of roles and for organisation of labour. It is also difficult to disentangle caste from technical qualification because occupations and skills are too much caste specific. Since allocation of job to a particular caste does not indicate that the members of that caste have no technical qualification. Again, there are many employers who are not interested in technical qualification because they are to provide the recipient with them in exchange of a formal education, the cost of which can not be afforded by the latter's family.

One point should be emphasized here. Lack of formal qualification does not stand for lack of intelligence, skill or aptitude. The informal sector does not play the role of absorptive buffer. (k) On the contrary, it chooses its workers in a way similar to that of formal sector. As the level of education is poor, personal recommendation, family background etc. play a key role for establishing suitability. It is to be noted that as an entry criteria these are almost universally accepted. The contractual relation is based on 'training' on the supply side and on 'wage rate' on the demand side. To be frank, it is not at all related to caste or to village or origin. Examples of such relation are most common in the informal units producing paper packet or plaster doll where both the employers and the employees come from a variety of castes and in the repairing job where even the untouchables have broken into the trade. Therefore, the informal sector may be considered as organised to some extent because of the existence of order, rule and structure within it which keep a good pace with weber's organisational norm.
In order to outline the extent of adherence to Weber's organisational norm in the informal sector, the lack of differentiation between household and business in the latter sector should be enlightened. Most of the petty producers of the informal sector live within the business premises and cannot separate production cost from consumption cost.

In true sense, there is evidence of 'formal' behaviour in the informal sector as well as of 'informal' behaviour in the formal sector. To differentiate labour market by this dichotomy is, therefore, counter-productive. Since both 'informal' and 'formal' sector are nothing but parts of a whole economic activities. The government of India defines and classifies the informal sector as arbitrarily as it is done by many other governments of the third world. The observance of the necessary regulations is perhaps more costly than is the provision of welfare in the informal sector. The latter is supposed to be afforded by the unit owner of the informal sector. The existence of the latter acts as a brake on industrial expansion so that it may pay an industrialist to diversify and remain under the threshold of the formal sector rather than to evolve and merge into that sector.

In practical field, there are several strata of industrial activities in terms of volume. Many people move between the two sectors at different parts of their life-span. In fact, the informal sector acts as a springboard for the formal sector for youngmen up to the upper age limit after that it becomes a trap. Of course, this interpretation may not always come true as the informal sector, in some market town, contributes to a large extent in the urban economy. Nevertheless, some people have a dream to start their own business units after retirement and many likes to start trading.
activities but do not dare. In course of our field study, we have been in­formed that some of the inhabitants of the Nandy Bagan have fulfilled their dream: one who had retired from engineering units of Howrah, has started to produce electrical goods with his life time savings. Another person who was formerly in a merchant firm of Calcutta has set up a provisions shop.

In addition, we should also consider those countable person who move to the informal sector from agriculture and return back when monsoon appears in the traditional sector (as we find in case of tanneries). It is an evidence that both sectors contain people related in various ways both to the means of production and circulation.

CONCLUSION:
The informal sector exists in the structural opposition to the formal sector, though it may not be traceable from official records. In relation to the formal sector, the informal sector may also exist in the marginal pole or in a specific context. Therefore, for the purpose of analysis, the labour market of the informal sector has a little internal variability than cross category variability.

The production system of the informal sector is trapped in an involutionary impasse and consequently it could reproduce only it's conditions of survival, mostly at the cost of it's own standard of living and labour remuneration. The excessive influx of migrated labour to urban sector alongwith the existing urban jobless people imposes responsibility for providing employment.
which falls squarely on the petty producers of the informal sector. Under such condition, impoverishment of the masses is inevitable.

Each generation of the informal petty producers that undergoes this insidious marginalisation suffers from a loss in terms of their accumulated skills. Still, in the underdeveloped countries, it is a part of the overall problem relating to the evolution of self-reliant and equitable development. The future of the mass people depends on that of the informal petty production and if no action being taken to enable them to participate fully in the process of national social development, the future of these people appears bleak. In fact, the real problem is how to bring harness between the plentiful human resources and material prerequisites in the task of development. Yet, the masses are off the main track, exploited and tied to individualistic ideologies which are reproduced by the environment in which economic and social life is deeply rooted. Both the structure and the orientation of the underdeveloped economy should be transformed radically before all exploited sections of the masses can benefit from equitable and equal participation.

But, the notable point is, in a particular situation, informal units are able to compete with the modern units irrespective of several obstacles. This is due to the imperfection of markets which we have already enumerated. In this special case, informal trading activities within the overall framework of job scarcity in the modern units represent an efficient use of resources. Nevertheless, this achievement is not enough to anticipate any trend for the long-run and hence the rhythm is difficult to forecast. We could only
remark that the ability of the petty producers of informal sector to compete will ensure their survival.

However, the inter relationship between the formal and the informal sector should be explored further. This might raise several questions like whether the ability to compete results in a surplus which, in turn, generates a rapid diffusion of informal units or whether concentration hinders their expansion allowing only to survive and not to grow? So far as our field experience is considered, the latter is true in many cases. Yet it requires more explanation before drawing any conclusion in this regard.

In addition, it is also necessary to overhaul further whether demand segmentation prevails in the sense that low income household prefer to buy more labour intensive products generally manufactured by the informal units. The required study may be based on such areas other than the area considered by us in this chapter. It is of profound importance for the purpose of generalisation. These are, therefore, some of the tentative issues on which further study is most welcome.

REFERENCES

(a) Street traders of Calcutta is a good case for example. There exists conflicts of interest between such street traders. This particular occupation is highly competitive with numerous hawkers forcing the margins down. This 'little' margin is obtained by selling the products at a price less than that of shop or super market and by carrying out the work for a long hours and over an wider range of location.
(b) V.E. Tokman: "Competition between the informal and formal sectors in retailing: The case of SANTIAGO" found in the Urban Informal Sector: ed. by R. Bromely: P. 1188-1197.

(c) D. Sansone: Tecnología y Empleo en Servicios: El Caso del Comercio minorista de Alimentos en Chile (Santiago: PRELAC: 77).

(d) V.E. Tokman: ibid.

(e) Being practically nil in the case of sugar, detergent, tea and soaps, as the study disclosed. Besides according to this study, there are a few products like flour, spaghetti etc., which are sold at a lower price in the informal units than in the modern units.

(f) Besides, one might also count the political organisation of the small traders of informal sector as a non-economic reason behind the survival of this sector. Sharing experience with the street trading of Calcutta, it can be realised that any attempt to eliminate such traders will act as a direct threat to the interest of the industrialists, middlemen and money lenders. It is doubtful how for the elite group of Calcutta will all agree upon the elimination of street hawkers due to their vested interest.

(g) V.E. Tokman: ibid: P: 1196.

(g1) These are: Bengal Hawkers Association, Calcutta street Hawkers Samiti and United Hawkers. The first one is the oldest and it was formed in the early '50's with the strong support of the refugees of former
East Pakistan (Now Bangladesh). It is affiliated to T.U.C.C. of Forward Block. At present, Calcutta street Hawkers Samiti has the largest members. It is affiliated to C.I.T.U. of Communist Party of India (Marxist). United Hawkers was formed in the late '60's and it is affiliated to I.N.T.U.C. of Congress(I).


(i) Chris Gerry: "Petty production and capitalist production in Dakar: The crisis of self-employed" found in 'The Urban Informal Sector' ed. by R. Bromley: P: 1156.
