Chapter Three

INFORMAL SECTOR, LABOUR EARNINGS AND MOBILITY PATTERNS AMONGST URBAN WORKERS
A Review of Related Literature

One of the major focus of researchers in the urban labour-market in the last decade has been the concept of the informal sector. It has its theoretical basis in the models of dualism discussed in the previous chapter. However, in terms of a policy tool and more in-depth empirical research, it has gained acceptance only recently. We trace the origin of this concept, the conceptual developments in this area, and end with the nature of policy implications. In the second section, we have reviewed the available studies on structure and determinants of sectoral earnings in urban areas of developing countries. The evidence on mobility and life-time performances of urban workers is reviewed in the third section.

3.1 INFORMAL SECTOR

3.1.1 Origin of the Concept

In terms of its theoretical basis, the concept of informal sector assumes some dichotomy in the urban economy arising out of the dualistic tendencies discussed earlier. The term informal sector to suggest such a dichotomy was, however, first used by Hart (1971). During his field work among the urban workers in Ghana, he came across a large self-employed sector which provided a means of livelihood for new entrants to the urban labour force who were unable to obtain employment in the formal sector. He then
questioned the traditional attitudes of treating this sector as being highly unproductive and constituting surplus labour. It was exactly this attitude which had relegated the whole range of activities likely to fall in this sector to complete neglect both in terms of urban research and policies.

For more practical purposes, the concept has started gaining currency after its wide usage in a number of country and city studies, carried out under the auspices of ILO World Employment Programme. In the early sixties, it was recognized that the assumed trickle down effects under the accelerated growth policy were not operating, at least not quickly enough. This led to a search for alternative solutions. One such attempt came through the ILO country missions in Kenya, Columbia, Sri Lanka and Philippines, as well as several city studies. (ILO, 1970, 1971, 1972, 1974, 1976a; Joshi et al., 1980, Lubell, 1974; Sethuraman, 1976a, etc.). The major achievement of the country missions was to shift the emphasis from a development strategy based mainly on economic growth whereby employment was obtained as a residual to a strategy which focussed on employment as a prime objective.

Most of ILO's country studies found a variety of structural imbalances as being the basis of unemployment/underemployment. One of these imbalances, particularly relevant to urban areas, was assumed to be caused by the discriminatory treatment of, or the lack of support for the informal as against the formal sector. These studies have tended to view this sector in a more positive light. They recognised their potential and productive role, especially in terms of generating employment and distribution of income. The nature of policies thus advocated related to measures like, "ceasing the demolition of informal sector housing, reviewing trade and commercial licensing procedures, and intensifying
technical, research and development work on products suitable for production or use in the informal sector" (Moser, 1977).

Borrowing the same model of the country studies, the city studies also laid emphasis on the productive role of this sector to generate growth and redistribution. The city studies did go beyond this generalization to trace its local applications. For example, the Calcutta study found that industrial and occupational patterns were closely correlated with the geographical and linguistic origins of the working population. A consequence of particular patterns of migration was seen as the development of a highly fragmented urban labour market with a particular type of ethnic labour force, participation. (Labell, 1974).

In effect, the approach of country studies and city studies may be termed as a target group approach focussing on the informal sector in terms of activities and workers. The major criticism of this approach has been the failure of the projects to operationalize their earlier contention that "the employment problem could not be seen in isolation. Its position at the centre of the whole development process meant that the employment strategies could only be made sensible within an overall development strategy" (Moser, 1977, p.30). Thus their recommendations have also been criticised for the failure to consider their position within the total economic structure.

The informal sector has its theoretical basis in dualistic concepts and has been used as a policy tool by ILO's target group approach. Despite the probably valid criticisms of ILO's policy measures, their emphasis on informal sector has had a positive influence in shifting research emphasis to the whole gamut of complex activities from which a large section of the urban population literally
derives its daily bread. It is being recognized that research in urban employment and economy is not confined to the modern manufacturing sector alone. We turn to a review of such studies, some with only theoretical explorations and others based on empirical research which have viewed the informal sector in a variety of ways. These different conceptualisations of the informal sector have tended to come up mainly because of the lack of a clear theoretical basis for the concept as well as the wide spectrum of economic activities that it covers. These often originate in different contexts and are carried out under very different social relations of production.

3.1.2 Characteristics of the Informal Sector

The increase in research focussing on the urban informal sector in developing countries has simultaneously led to a greater vagueness and inconsistency of definition. Obviously, the major reason behind this state of affairs is the lack of a "clear empirical basis" for the concept. The term has been used alternatively to refer to the enterprises and their characteristics, or used as being synonymous with the urban poor, or at other times to refer to the labour market. However, it is clearly important to distinguish whether it is the activities or the people that are being classified.

Keith Hart (1973) based his dual model on one simple characteristic, namely the distinction between income opportunities in wage and self-employment. Employment in the formal sector was correlated with wage employment while that in the informal sector with self-employment. The ILO Reports enumerated detailed and specific characteristics of the informal sector to clearly identify the target groups. These were:

1) ease of entry;
2) reliance on indigenous source of inputs;
iii) family ownership of enterprise;  
iv) small scale of operation, and low productivity;  
v) labour intensive and adapted technology;  
vii) skills acquired outside the formal school system;  
vii) unregulated and competitive markets; and  
ix) lack of support and recognition from the government.

Very clearly, the ILO emphasis has been on the enterprises supposed to be in the informal sector. However, these particular ILO characteristics have been questioned in two ways. Firstly, there are questions regarding their relevance especially raised by those who have attempted field work explorations. Particularly strong criticism comes forth from Peattie (1980) and Breman (1976, 1977). Based on her work in Bogota, Columbia, Peattie questioned the assumptions regarding ease of entry, unregulated and competitive markets and the unorganized nature of activities. She found that "a lot of organization exists, and possibilities for new entry are highly differentiated". In her words, "what seems to characterize these occupations designated as the informal sector is, therefore, not so much a lack of formal structure, but a diversity and complexity of structure". (p.24). Both Breman and Peattie attribute the prevalence of particularistic arrangements as being the basis for gaining entry. After describing in detail, the ways of getting work in the informal sector in Valsad, a district in South Gujarat, Bremen (1977) concluded that "the decisive factor in getting employment..... is personal contact. The nature and extent of the network of contacts determines not only whether one is incorporated into the work process but also, where, how, for how long, and for what type of work". The second category of criticism comes in terms of comparability of these different criteria as the distinction based on one criterion does not run parallel to that based on another criterion. Also, different criteria give different boundaries which are not confined to one sector. Thus, these different criteria "do not cumulate in a clear and consistent stratification". (Bremen, 1976, p. 1906).
A different view put forth by Weeks (1975) stressed the factors which were external to the characteristics of the enterprise. He laid down specific emphasis on the role of the state and based his two sector distinction on, "the organisational characteristics of exchange relationships and the position of economic activity vis-a-vis the state" (Weeks, 1975, p.2). Weeks claimed that the formal sector growth was itself fostered by government measures like tariff and quota protection for import substitution industries, import tax rebates on capital and intermediate goods, tax holidays, low interest rates, selective monetary controls and licensing measures, which protected the formal sector. He however maintained that this did not make the informal sector static in any sense. All the sectors were considered dynamic in the sense that they were continually adapting to external changes. "The significant question was to identify the structural conditions under which dynamic change was "involutionary or evolutionary in nature" (Moser, 1977, p.38). Involutionary development reflected a static or slowly growing output per head and capital accumulation and evolutionary where these were rapid. He found that a dynamic and evolving informal sector was beneficial in many ways. Further, he implicitly assumed that the linkages between the two sectors were benign and therefore needed to be promoted further.

On the whole these characteristics used to define or understand the informal sector may be grouped into three categories as follows:

1) Those related to the characteristics of the enterprise, like size, family ownership, source of inputs, labour intensive technology etc. In this category, the emphasis is on the context within which people work, the stress being placed on the mode of production.
ii) Those related to the nature of exchange relationship with the state and the rest of the urban economy like unregulated and competitive markets, lack of support and recognition from the Government, lack of organization, unregistered nature of enterprises etc.

iii) Those based on the employment situation, or labour market processes like ease of entry, self-employed or casual nature of work, lack of a formal contractual arrangement for employment etc.

Many of the studies in India have used some of those criteria for empirical delineations of the two (or more) sectors, (Joshi and Joshi, 1976; Breman, 1977; Papola, and Mazumdar, 1980). All of these studies have in some way or the other attempted to identify the informal sector for the city as a whole and estimated the proportion of work force in this sector. Table 3.1 illustrates the variety of estimates, criteria used and the relevant data base.

On the whole, it appears that the size of the informal sector in terms of employment ranges from a minimum of 45% to a maximum of 75%. The variation, to some extent, may be attributed to the difference in criteria used for defining the informal sector. Firstly, most of them have the criteria of size of the establishments as a distinguishing characteristic. The cut off point actually adopted has ranged from five (Bose, 1978) to twentyfive (Joshi and Joshi, 1976). The second aspect generally considered is the self employed nature of work. As done by Papola (1978), all independent workers were considered to be a part of the informal sector. This has been questioned by Breman (1976), who rightly points out that it is probably incorrect to include one man professional firms or owners of small workshops alongwith the so-called selfemployed such as the street barber, shoeshiner or garbage collector. The third criteria often used is the casual status of the worker. In effect,
**Table - 3.1**

*Estimates of the Size of the Urban Informal Sector*

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Author</th>
<th>Study area</th>
<th>Total Employment</th>
<th>1961</th>
<th>1971</th>
<th>Estimated size</th>
<th>Criteria Used</th>
<th>Data Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Joshi &amp; Joshi (1976)</td>
<td>Greater Bombay</td>
<td>5,971,000</td>
<td>4,152,000</td>
<td>49.5</td>
<td>47.7</td>
<td>Employment in Unorganised sector is a residual of organised sector which includes all public sector establishments and all privately owned establishments with more than 25 employees</td>
<td>Directorate of employment, Bombay Quarterly return, 1961, 1966 and 1971 with corrections for 1961.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1971</td>
<td>5,971,000</td>
<td>4,152,000</td>
<td>49.5</td>
<td>47.7</td>
<td>- Same as above -</td>
<td>I Same - without corrections</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1961</td>
<td>4,152,000</td>
<td>51.3</td>
<td>42.0</td>
<td></td>
<td>II same as above with corrections for both 1961 and 1971.</td>
<td>II Same - without corrections</td>
</tr>
<tr>
<td>2</td>
<td>Deshpande (1979)</td>
<td>Greater Bombay</td>
<td>5,971,000</td>
<td>4,152,000</td>
<td>50.4</td>
<td>39.5</td>
<td>For manufacturing all non-registered units including non-household and household units (with less than 20 persons) and excluding registered census and sample sector units. For non-manufacturing, all units employing 4 or less workers, including independent workers</td>
<td>Census of India, 1971 Part III-A Establishment Tables W.B.</td>
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<tr>
<td></td>
<td></td>
<td>1961</td>
<td>4,152,000</td>
<td>51.3</td>
<td>42.0</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Bose (1978a)</td>
<td>Calcutta city</td>
<td>3,148,746</td>
<td>28.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table - 3.1 (contd...)

<table>
<thead>
<tr>
<th></th>
<th>Source</th>
<th>Workers in units with 10 or less workers and all unattached workers</th>
<th>Census of India, 1971, Part III-A, Establishment Tables, Gujarat.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Papola (1978)</td>
<td>Ahmedabad 16,06,165 46.5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1971</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Breman (1977)</td>
<td>Valsad Dist. Gujarat 75.0%</td>
<td>Informal non-organised for the entire district including seasonal migrants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1971</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1971 36,47,023 53.8%</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>0 R G (1978)</td>
<td>Madras Metropolitan area 1971 25,00,000 50 to 70%</td>
<td>Workers in all establishments Census of India, 1971 Part III-A Establishment Table, Tamil Nadu.</td>
</tr>
</tbody>
</table>

Sources:

1. Joshi and Joshi (1976), Table III 1, p. 48 Er.
2. Deshpande (1979), Table II., 15, p.66
3. Bose (1978), Table 7, p.19
4. Papola (1978), Table I.1 p. 12.
6. Majumdar (1980) Table 3, p.25
7. 0 R G(1978), p.46.
these are treated as "one-man firms in the sense of small entrepreneurs". Here the emphasis is on distinguishing employment by the nature of contract as casual or regular. "Workers in casual employment may work with the same amount of capital (elasticity of demand), produce the same goods, and be employed in establishments of the same size (scale of operation) and yet not receive the same wage, (or earnings) as the regular workers do". (Deshpande, 1979, p. 253).

In talking of the characteristics of the informal sector in this manner, two important considerations are generally neglected. These refer first to the nature of its growth and its relationship to the rest of the urban economy and secondly to the differentiations within the so-called informal sector itself. We take up these two issues in greater detail in the next two sub-sections.

3.1.3 **Relationship to the Urban Economy**

In sharp contrast to the theoretical formulations put forth by Weeks (1973) and the ILO stand on the potential for growth of the independent informal sector, many of the field studies have stressed the 'exploitative' relationships and the largely involutionary growth of this sector. The proponents of this view take a pessimistic view of the ILO and Weeks' policy measures. They tend to generally question the validity of economic change without political change. This view has however, been criticized sharply by King, that 'intellectuals have discovered the plight of the working poor, only to decide rather rapidly that unfortunately nothing can be done about it". (Kamga, 1974, p.10).

It would be worthwhile to identify the nature of linkages between the formal and informal sector or amongst the different economic activities in the urban economy.
These may at the very basic level be classified into direct and indirect. The direct linkages may be in terms of resource inputs from formal to informal sectors or technology and market linkages. (Bose, 1978, Scott 1979). These may include "direct incorporation through subcontracting and outworkers as well as more complicated procedures such as the utilization in retail distribution of 'agents' who put up their own deposits thereby relieving the mother company of many of the risks involved" (Noser, 1977). The indirect linkages refer to the demand for goods and services generated in the informal sector by a clientele whose income is dependent upon the formal sector.

Direct Linkages

Many of the field studies have identified the nature of these relationships. Bienefeld (1975) starts his paper based on his research in Tanzania with a 'tentative framework' which assumes that

"many small scale operators are engaged in a process of production and of technological development but that their ability to develop cumulatively over extend period is limited by their being exploited through the terms of trade; by their dependence on large scale industry for inputs (often illegally obtained); and by the fact that when the markets they serve grow beyond a certain size this will not be a gradual but accelerating stimulus to further development of the forces of production. Instead, it will trigger a discontinuous shift to international technology which will incorporate this market by virtue of its efficiency and/or its market power, the latter based on effect­ively unlimited access to capital and on the establishment of brand same products through heavy advertising". (Bienefeld, 1975, p. 56).

Bienefeld thus places great stress on the exploitative character of these linkages and attributes this as the reason for the relatively involutionary character of this sector.
Bose (1978a) in a similar fashion identifies the exploitative character of linkages in the urban economy of Calcutta. According to Bose, the informal sector enterprises perform two basic functions. First, they produce cheap goods for rural and urban poor, "who are finding it increasingly difficult to purchase high cost, standard industrial goods". This is based on the low wages in this sector. The second function, also based on the same reason, is to provide the larger units with huge trading profits through an unequal exchange relationship. Thus the poor in the informal sector operate in a separate market both for resource inputs and outputs, which is highly unfavourable to them, the gains being appropriated by the large sector. This is similar to Weeks' formulations, except that Bose maintains that the different markets are purposeful and directly profitable for large sector operations and can not be changed without a radical restructuring of the total economy. In the same way, Leys (1975) criticises the INDO studies' policy recommendations for Kenya for their political naivete. Other research including Bose's, also shows that official programmes which aim at stimulating industry in the informal sector are of little practical use. "Neither can increased aid by the state be expected as long as the political system is dominated by interests which are linked to the formal sector. The paradox of the situation is that the recommended policy changes will inevitably be detrimental to an elite which is responsible for its execution" (Breman, 1976, p. 1874).

After looking at the structure of economic activity in the informal sector, Papola (1972) concluded that though the informal sector provided "a significant part of the goods and services in the urban economy and provided employment to practically the entire residual labour force", its growth depends on the fortunes of the formal sector. However, he
did not look further into whether the linkages between the two sectors were basically exploitative or benign in character. He did distinctly identify the informal manufacturing activities which are linked up vertically to the formal sector through market and technology linkages as the ones which promised between productivity and earnings.

Based on her anthropological field explorations of small enterprises in Bogota, Colombia, Peattie (1980) found that these enterprises served two distinct categories of clientele. Firstly, as Bose (1978) had found in Calcutta these enterprises were producing an inferior and cheaper product in a way which makes it accessible to persons who can neither buy in large quantities nor transport for long distances. The other type serves a small and individualized market (as in custom-made furniture and shoes) or where a great deal of flexibility in marketing is advantageous (as in street vending and illegal occupations). At other times, these same enterprises were functioning as distribution outlets or component suppliers for very large firms. They however face the price and credit problems much more than the large sector. On the whole this work, as others referred above, points to the preponderance of a variety of direct linkages. The two sectors are neither exclusive circuits, nor distinct compartments. Strong backward and forward linkages are quite typical, which are often through very complex arrangements and extremely unfavourable to the smaller enterprises.

ORC (1980b) in their study of informal sector in Madras, also looked at the backward and forward linkages for informal enterprises in manufacturing, trading and service activities. They found that it was more in terms of resource inputs that a variety of linkages with large dealers were common.
However, the activities on the whole were more individual customer oriented. Only for craft-based items, there were some links with other dealers. They also studied the units which were assisted by banks financially. The major difference in these was in terms of a larger share of backward linkages, tying with the more organized sectors. Surprisingly, despite the larger size, easy credit, good returns on capital and such advantages, the net income was still relatively low. It would have been interesting to see to what extent the linkages here are benign or exploitative and therefore result in the low income earning potentials.

Social Dependency Relationships

Besides these types of direct linkages in terms of market, technology and resource inputs, there exist social dependency relationships which have their basis in the lack of economic security. A complete lack of public welfare or unemployment compensation, coupled with highly irregular and insecure nature of income, forces these people into either social dependency relationships or petty entrepreneurship. Breman’s work in South Gujarat vividly illustrates these. He points out that, "it should be realised that the poor try to increase their security within the urban system by entering into dependency relations with social superiors, and in doing so they accept a wide range of contractual and semi-contractual commitments". (Breman, 1976, p. 1906). Similarly, Peattie (1980) found people resorting to petty entrepreneurship for similar purposes. Indirect-Linkages

Indirect Linkages

The indirect linkages refer to those generated by the goods and services produced in the informal sector for a
clientele whose income is dependent upon the formal sector. The building and furnishing of middle class houses, repair services, traders of fresh vegetables, fruits, etc. and of course the well-known domestic servants; all these activities are dependent upon the income of a clientele who in turn is dependent upon formal sector activities for its livelihood. Thus, only a growth in the formal sector productivity and wages will create additional demand for these activities. However, here a paradoxical relationship arising out of the demonstration effect of formal sector goods is likely to arise between the informal sector production and formal sector wages. This growth would worsen the income distribution and induce a shift in the pattern of demand away from the informal sector products.

Thus one can confidently conclude that the informal sector is in no way an independent and exclusive circuit. It is linked to the formal sector and the rest of the economy through a variety of linkages. The possibility of growth of informal sector then depends on the nature and types of linkages that are operating in reality. Although a few studies have branded these as exploitative, we feel the issue is still open and certainly there is need for further research to identify not only the linkages of technology and market but also the wide variety of social relations of production which comprise the different modes of production.

3.2.4 Dichotomy or Fragmentation

One of the other major criticisms of the informal sector or such dualistic concepts is that it fails to distinguish the internal differentiations within. In words of Sinclair (1978, p. 244)

"the informal sector tradition in development (and research) work has tended to obscure the difference (between the units
and workers) which comprise that mass. By lumping together the individuals, families and enterprises, which one intuitively believes to constitute that sector, one effectively precludes analysis of its growth prospects while at the same time impeding investigation of its diverse parts.

These type of doubts have been raised by many researchers and policy planners, (Breman, 1976; ILO 1976; Papola, 1973; Peattie, 1980).

ILO's (1976b) work on Sudan emphasized the informal sector as a "heterogenous, multidimensional or multilayered phenomenon". It distinguished four sub-groups which were analyzed separately to conclude,

"the picture that emerges for the informal sector in Sudan is that of heterogenous and complex activities. At its most advanced level where the majority of establishments exist, we have the multitude of small manufacturing, service and craft establishments employing a large number of people who are making a reasonable living and who are there to stay. Finally, we have the traditional petty vendors who are in transition to and formal sector jobs". (ILO, 1976-a, p.315).

Breman (1976), however, refutes this possibility based on his work in a district town in South Gujarat. He points out that although it is easy to find the categories at the extremes of the two poles of the labourforce, within these two extremes there are 'gradations', and not 'watertight compartments'. He does not entertain the notion of a pluralist labour market either, in which there are a great many separate and identifiable submarkets. He claims that the tendency to partition off a sector does not mean closed circuits. This is seen as an attempt to monopolise certain occupational roles or activities for social equals in a situation of extreme scarcity. (p.1905). Secondly, for the poor "work is not the basis of a more or less independent existence but the outcome of a comprehensive dependency relationship. In such circumstances, labour is fluid in
character, without any question of differentiated and mutually exclusive sub-markets". Lastly, he points out that "the variety of criteria used for identifying the two sectors do not run parallel to cumulate in a clear and consistent stratification". Brüman then goes on to refer to this as a fragmented labour market.

This view however has been rejected by Mazumdar (1976). He questions the contention that "the characteristics which constitute the basis of the formal informal sector distinction represent a pattern of continuous variation in a typical LDC labour market and therefore, the dichotomy is unwarranted". As he rightly points out, the so-called continuum along the relevant characteristics is itself a subject of research. He further argues that even if the difference is one of degree, as long as it is a distinctly marked degree, the concept remains analytically relevant. However, as he himself identified, the informal sector itself is highly differentiated. He places great importance on the diversity of earnings within the important components of the informal sector. "The differentiation within the sector should be a topic of further research. At the moment we do not know how much upward mobility in terms of earnings, there is within the sector". (p.675)". This latter view is also supported by Standing (1977). He emphasises the need to look beyond the two sector approach. However, he claims that this need not imply the total

*In operationalizing the differentiation, Harriss's (1981) work on Coimbatore provides an interesting case. He distinguished amongst the workers in five major groups, namely, (a) permanent wage-workers/organized sector workers, (b) short-term wage workers/workers in unregulated establishments, (c) casual wage workers, (d) disguised wage workers and dependent workers/dependent producers and traders and (e) self-employed. He then identified the characteristics of the different sections of the work-force, examined factors affecting 'entry' to different forms of employment and mobility amongst them. He found differentiations amongst these by origin of workers and low mobility amongst different sectors. Similar differentiations were adopted by Papola (1978) for his study of the informal sector in Ahmedabad. He distinguished four major categories, namely, workers in small establishments, independent workers, casual workers in establishments and in households.
irrelevance of a sectoral approach. It is useful if the conceptual distinctions amongst several sub-sectors facilitate, "appolicy-oriented discussion of the dynamic interactions between different sub-sectors and the changes that could be expected to follow specific developments". (p.37)

3.1.5 **Nature of Policy Implications**

The conceptual developments traced above also reflect different policy implications. There are at least three distinctly different views in this regard. The first view places emphasis on the function of the informal sector as a buffer zone. The proponents of this view do not consider it "feasible to accept that policies should be oriented towards maintaining inefficient and small scale activities which make use of retrogressive technology", (Breman, 1976, p.1874). Only the fastest possible expansion of the formal sector is considered appropriate for raising the standard of living of the population. The theoretical works of Lewis (1954) and Fei and Ranis (1964) and the earlier policy approach by World Bank illustrate such an "inherent disadvantage approach" (Breman, 1976, footnote 18). It was in the early sixties that the failure of accelerated growth policy was recognized by policy makers and the researchers the world over. Although a late realization, the World Bank report by Chenery et al. put this explicitly when they said, "It is now clear that more than two decades of rapid growth in underdeveloped countries has been of little or no benefit to perhaps a third of their population. Although the average per capita income of the third world has increased by 50 percent since 1960. This growth has been very unequally distributed among countries, regions within countries and socio-economic groups" (Chenery et al., 1974, p.xiii).
The second view, largely promoted through ILO’s studies under the World Employment Programme emphasises the "structural disadvantage" approach. The major premise of this view is that despite the advantages of the informal sector in terms of "flexibility, viability and adapted technology of productive activities", it is disadvantaged by unfavourable market conditions and lack of Government or political protection. The policy orientation is, therefore, obviously towards compensatory measures like better credit, technical training and formation of cooperatives. This view and policy approach has been criticised by some who believe that the expected autonomous growth of informal sector is not likely to take place. The few successful efforts probably are "the ones which have formalized another sector of the market to the advantage of the enterprises now in it and to the relative disadvantage of new comers or those left outside" (Peattie, 1980, p.25).

This leads to the third view which stresses the importance of the linkages of the informal sector to the rest of the urban economy. The results of a number of studies have conclusively shown that the informal sector is not an exclusive and independent circuit. It is therefore considered necessary to increase the production system as a whole. In Papola’s (1978) words, "the need, therefore, is to look at the two sectors as interlinked and complementary segments of an urban economy instead of juxtaposing one against the other and evolving a strategy based on one in preference over the other" (p.177). Within this broad approach, however, there are two views. One regards these linkages as 'benign' and emphasizes the need to promote these further. (Weeks, 1975). However, a second view supported by a number of researchers, brands these linkages as exploitative and highly unfavourable
to the smaller enterprises. In their view only a 'radical restructuring' of the total economy can change these conditions.

3.2 STRUCTURE AND DETERMINATION OF EARNINGS

Many recent studies of urban employment have looked at the structure of earnings in different sectors and the internal variations in the sectors also. The studies reviewed below are mostly from India and a few other developing countries. The focus is also mainly on the differentials in earnings at the lower end of the distribution.

As our emphasis is on the lower strata of workers in the urban economy, a brief note on the distinction between wage rates (hourly or daily) and average earnings (weekly or monthly) is necessary. The self-employed and the casual workers are likely to have variable hours of work over a period of time. Similarly, the number of days over a week or a month, for which work is available and availed of, is also likely to vary significantly. In this case, rather than considering the wage rates, it may be more relevant to consider the average earnings. Using this as a basis we investigate the pattern of earnings in the urban labour market at the lower strata. The average earnings are compared generally across the sectors of the labour market and include variations by occupational and/or industrial categories, wherever possible.

3.2.1 Determinants of Earnings Differentials in Bombay

Joshi and Joshi (1976) in their study of Bombay, looked at the structure of incomes mainly in terms of differentials between the organised and unorganised sectors. As they have relied completely on secondary sources for information, the earnings for unorganised sector are derived "on the assumption
that they find work for 26 days at the average daily wage* (p.91). These are thus rough estimates, with a probable upward bias for the unorganised sector. From their information, "it is clear that earnings in the unorganised sector are considerably below those in the organized sector" (p.91). Despite this large gap, there are some incomes in the unorganised sector which are as high as or above the organised sector minimum. The proportion of earners getting less than the lowest incomes obtainable in the organised sector was about 38% in 1971. Their rough comparisons from three different sources show a rise in this proportion also. (p.107). In terms of explaining the disparity in earnings, they reject the possibility of the need for higher wages to induce people to give up leisure and to reduce labour turnover and absenteeism", (p.103) and also that the earnings differential reflects a return to embodied skills and training. They identify the most important reason as "the trade union activity in the organized sector combined with to some extent, the tacit consent of employers" (p.103). This is borne out by the example of the mathadis (headload carriers) and the metal porters which they have cited. They are the highest paid unorganized workers in their coverage. This is mainly because they have an effective union. "By wage-bargaining and maintaining a closed shop character they have succeeded in creating a situation in which most of them earn more than Rs. 160 per month (1955)" (p.98). However, these remain, at best plausible hypothesis until some multivariate analysis is attempted.

In a more recent study Deshpande (1979) looked at the earnings for wage employees in the Bombay labour market. The average earnings were considered for three separate sectors; namely casual workers, workers in small establishments and factory sector. The average monthly earnings in the three sectors were Rs. 164.6, Rs. 268.89 and Rs. 463.0 respectively. Factory workers earn 75% more than those in the small scale sector, and two and a half times as much as those in casual work*. Even when he looked at the workers' skill levels the importance of
Sectoral location was evident. The differential paid to the same level of skill across sectors is wider than the differential paid to skill within each sector (refer Table 3.2). Deshpande (1976) also compared the earnings for 15 occupations which were common to all the three sectors. The results were consistent with the earlier results, with the factory sector showing a considerable advantage over both the casual and small establishments sectors. The differentials were much higher for the unskilled occupations (p. 177).

Table - 3.2

Average Monthly Earnings by Skill and Sector
(in Rupees per month and indices with casual sector and unskilled as base)

<table>
<thead>
<tr>
<th>Skill</th>
<th>Casual</th>
<th>Small Establishment</th>
<th>Factory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unskilled</td>
<td>144.5 (100)</td>
<td>208.1 (100)</td>
<td>346.9 (100)</td>
</tr>
<tr>
<td>Semiskilled</td>
<td>181.93 (126)</td>
<td>265.2 (127)</td>
<td>454.1 (131)</td>
</tr>
<tr>
<td>Skilled</td>
<td>207.5 (144)</td>
<td>313.1 (150)</td>
<td>669.0 (193)</td>
</tr>
<tr>
<td>All</td>
<td>164.7</td>
<td>268.9</td>
<td>463.0</td>
</tr>
</tbody>
</table>

Source: Deshpande (1979) Table V 20 and V 21 p. 175-176.

Using the same data for Bombay, Mazumdar (1979) tried to explain the basis for these differentials in earnings within
the three sectors. Three sets of explanatory variables were used with earnings as the dependent variable. Stepwise multiple regression models were used for each sector separately. The three independent variable sets were standard human capital variables, personal attributes of the worker and the background variables like caste, religion, parental background etc. He found the first set to be most pervasive in influence in all the sectors. In the final analysis, the differentials in earnings were sought to be explained in terms of the sector of work and a set of human capital variables. The most important explanation is found to be the sector of work itself. This is emphasized by the fact that "the spread in earnings between the casuals and the workers in the largest factories, after controlling for other factors, is greater than the spread between illiterates and the most educated". (Mazumdar, 1979, p.24).

This explanation, however, begs the question regarding the reasons for the sector differentials. Mazumdar (1979) puts forth a new hypothesis in this regard, as distinct from earlier Harris-Todaro's (1970) expected income framework. Mazumdar attributes the reasons for these sectoral differentials chiefly to the difference in supply prices of family and individual migrants. "The high-wage formal sector will have a workforce which contains a larger proportion of family migrants, who tend to be more permanent than the non-formal sectors in which the lower wages will attract predominantly individual migrants of lesser stability" (p.8). He substantiates this hypothesis by data from the Bombay study, which found a predominance of "temporary" migrants with small family sizes in the casual and small establishments sectors. Using indirect evidence, he established "the positive association of the level of earnings and the permanence of migration". The governing link between the two is the family size which according
to Mazumdar determines the permanent migrant's higher supply price, because of the higher cost of living in towns and a higher dependency ratio. He also showed "that while the average family size of migrants increases both with the income of the principal earner and with the duration of residence, it is much more sensitive to the former" (p.40). He disregards the institutional explanation as even in the non-factory sector where institutional factors are largely non-existent, earnings differentials are related more to duration of residence of migrants and family size.

It may not be quite valid to assume , a one-way causation process as it is quite likely that the relatively low earnings may themselves result in temporariness of migration. As Mazumdar himself points out, 80 percent of the migrants in Bombay had indicated permanent employment as their reason for migration. Only a mere 5% in the casual sector indicated a preference for temporary employment. Thus "their decision to remigrate may come gradually during their urban careers" (p.25). Similarly, it is the prospect of continued low earnings which may force the household sizes in urban areas to be smaller rather than the other way round. The supply price of these workers may surely be lower but that is more likely to be based on the past experience and the 'knowledge' that nothing else is possible. This is validated by findings of ORG (1980a) which showed that almost 70% of the poor enter their jobs due to economic pressure or because of lack of any option (p.25 and p.79). Similarly, Papola (1978) points out that almost half of the informal sector workers are dissatisfied with their present job and the predominant reason for this is "inadequate earnings". Those who appear satisfied may be "discouraged workers" in that, as they are not "able to get any
opportunity for movement to better paid sectors have resigned themselves to their fate” (p.136). Lastly, we need to see the relevance of the family size earnings association link, referred earlier, for other cities also, before we conclude on this hypothesis. As Joshi and Joshi (1976) point out, "as the proportion of migrants in the city falls and also as the number of those who have land rights in their native villages falls, the scope for variations in dependency burdens through migration adjustments will also be reduced" (p.i11).*

3.2.2 Structure of Earnings in Ahmedabad

There have been a spate of studies which have directly or indirectly dealt with the labour market in Ahmedabad. Papola and Subramaniam (1975) have dealt with the issues of wage structure and labour mobility in the organised manufacturing sector of Ahmedabad’s economy. Looking mainly at the inter-industry, inter-occupational and inter-unit wage differentials, they found the capital intensity and the average size of the units in an industry to be highly significant in making an industry high or low wage one. They also found that "occupational differentials in most of the industries can be explained by the levels of education and training required". (p.55). To some extent, however "the labour supply and demand situations of individual occupations cannot affect the relative wage positions because of the institutional arrangements like collective agreements (as in Textiles)". Thus both the competitive and institutional forces seem to be prevalent. For the skilled occupations the market is competitive on the demand side and the plants, according to their capacity to pay, compete for the limited number of workers available.

* Mazumdar’s (1981) own later studies in Malaysia showed that the empirical tests of the supply price hypothesis were rather inconclusive.
Radhakrishna et al. (1977) looked at the earnings differentials by six employment categories and by three major caste groups in a large hutment area in Ahmedabad. The employment categories are specifically derived by considering the nature of employment and conditions of work. The first two categories are more formal and organised and the other four are irregular and often the wage payments are on a daily basis. Table 3.3 gives the mean earnings and measures of variation for each category by caste.

There are wide variations among the mean earnings in various categories. "In each caste group, the highest is twice the lowest earning. The ordering of the employment categories according to their mean earning is more or less same among the caste groups" (p.96). Surprisingly, the self-employed and labour contractors show a higher mean income than the organised sector workers for Harijans. There are also perceptible differences amongst caste groups as in the higher occupations higher castes earn more and vice versa. The explanation offered by them is that the nature of jobs in the same category differs among the caste groups. Thus the earnings seem to be related to the nature of occupations. Presumably the different human capital requirements of different occupations or the nature of demand for these determine the earnings.

In another study of the "slum dwellers" in Ahmedabad, Patel (1977) also looks at the pattern of earnings among the slum dwellers in Ahmedabad. However, he did not explicitly look at the specific employment status. We have combined his 18 occupational groups, for which he has earnings data, into 4 groups of organised sector employees, other small sector employees, casual workers and other self-employed, which gives the following average earnings profile.
### Table - 3.3

Income of Workers by Employment types and Castes
(for males in rupees per month)

<table>
<thead>
<tr>
<th>Employment Category</th>
<th>Harijans Mean</th>
<th>Harijans Coefficient of variation</th>
<th>Adivasis Mean</th>
<th>Adivasis Coefficient of variation</th>
<th>Others Mean</th>
<th>Others Coefficient of variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory workers</td>
<td>231.1</td>
<td>20.5</td>
<td>260.1</td>
<td>40.9</td>
<td>278.3</td>
<td>10.6</td>
</tr>
<tr>
<td>Office establishment workers</td>
<td>192.3</td>
<td>35.1</td>
<td>169.3</td>
<td>56.3</td>
<td>248.3</td>
<td>36.1</td>
</tr>
<tr>
<td>Self employed</td>
<td>290.0</td>
<td>22.2</td>
<td>-</td>
<td>-</td>
<td>237.5</td>
<td>54.4</td>
</tr>
<tr>
<td>Labour contractors</td>
<td>295.5</td>
<td>20.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Family workers in shoe making</td>
<td>142.1</td>
<td>69.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Casual workers</td>
<td>178.6</td>
<td>42.5</td>
<td>140.0</td>
<td>40.4</td>
<td>128.6</td>
<td>52.0</td>
</tr>
</tbody>
</table>

Source: Radhakrishna et.al. (1977), Table 4.5, p.95.
Table - 3.4

Earnings by Sector of work
(in rupees per month)

<table>
<thead>
<tr>
<th>Group</th>
<th>Clubbed groups</th>
<th>Average earnings</th>
<th>Total workers in sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organised sector workers</td>
<td>1 and 2</td>
<td>371.74</td>
<td>314</td>
</tr>
<tr>
<td>2. Self-employed</td>
<td>4</td>
<td>263.00</td>
<td>102</td>
</tr>
<tr>
<td>3. Casual workers</td>
<td>3, 5, 9</td>
<td>209.09</td>
<td>140</td>
</tr>
<tr>
<td>4. Other employees</td>
<td>(all others)</td>
<td>246.97</td>
<td>313</td>
</tr>
</tbody>
</table>

Source: Patel (1977) Table V. 32 p.382

The wage gap between the organised sector and the other three is still quite large. It is necessary to check on the internal differentiation within the self employed. There are no explicit explanations offered by the researcher for these differentials.

A more specific study by Subramaniam et al. (1979) looks at the construction labour market in Ahmedabad. They find that despite a large value-added contribution in construction compared to the manufacturing sector, the share of wages in value added is only 40 percent. The largest share is appropriated in terms of profits. "An intense exploitation of labour is thus manifest in the production relation existing in the building construction activity". (p. 204). This in all probability strengthens the institutionalist
argument as the construction workers are notoriously unorganised. Within this industry however, the occupational and plant labour market show expected patterns in that higher skilled occupations command higher wages. Also, jobs cluster in a group and their wage rates change among work sites in systematic group patterns. However, the workers' earnings, as distinct from their wage rates, are directly affected by their status as between casual and regular as revealed in Table 3.5. Similarly, the nature of wage payment also has a significant effect on workers' average earnings.

Table - 3.5

Percentage Distribution of Workers by Earnings and Work Status

<table>
<thead>
<tr>
<th>Worker's average earnings (in Rupees per month)</th>
<th>Casual</th>
<th>Regular</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>61 - 90</td>
<td>59.0</td>
<td>25.1</td>
<td>43.7</td>
</tr>
<tr>
<td>91 - 120</td>
<td>20.0</td>
<td>21.7</td>
<td>20.8</td>
</tr>
<tr>
<td>121 - 150</td>
<td>6.7</td>
<td>20.4</td>
<td>12.9</td>
</tr>
<tr>
<td>151 - 200</td>
<td>5.3</td>
<td>10.6</td>
<td>7.7</td>
</tr>
<tr>
<td>201 - 250</td>
<td>6.7</td>
<td>9.3</td>
<td>7.9</td>
</tr>
<tr>
<td>251 +</td>
<td>2.2</td>
<td>12.8</td>
<td>7.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Subramaniam et al. (1979), Table V.9, p. 161.
In a more comprehensive study, Papola (1978) looked specifically at the informal sector in Ahmedabad and the internal differentiations within it. Although the emphasis of the study was on the structure and economic characteristics of the Informal sector, he also looked at the structure of incomes for the three sub-sectors within it. "A month's work fetches only Rs. 190.00 to a casual worker, while it brings Rs. 385 to an independent worker (self-employed) and Rs. 329 to an establishment worker." (Table 3.6).

Table - 3.6
Percentage Distribution of Workers by Monthly Earnings and Employment Status.

<table>
<thead>
<tr>
<th>Earnings per month (Rupees)</th>
<th>Establishment workers</th>
<th>Independent workers</th>
<th>Casual workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 100</td>
<td>0.41</td>
<td>2.40</td>
<td>17.5</td>
</tr>
<tr>
<td>100 - 200</td>
<td>13.96</td>
<td>18.62</td>
<td>39.2</td>
</tr>
<tr>
<td>200 - 500</td>
<td>79.88</td>
<td>56.91</td>
<td>42.19</td>
</tr>
<tr>
<td>500 +</td>
<td>5.75</td>
<td>22.07</td>
<td>1.05</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Average earnings (Rupees)</td>
<td>329.00</td>
<td>384.62</td>
<td>190.36</td>
</tr>
</tbody>
</table>


The independent workers have a much larger proportion of workers who earn less than Rs. 200 p.m., than the establishment workers. However, the latter have more security of work. For most of the common occupations the casual workers
have the lowest earnings and of independent and establishment workers, each dominates in about half of the occupations. The casual workers as a group are dominated by a number of low-earnings occupations like domestic servants, unskilled construction workers etc. There is no analytical testing of the explanations for these differentials. He puts forth two tentative explanations for the fact that "the informal sector earnings, on an average, are about fifty percent of those obtaining in the organised sectors" (p. 170). Firstly, and more importantly the reason for low earnings is given as the predominantly absorptive character of this sector rather than "labour demand at a given wage rate". Secondly, "the difference to some extent conforms to the productivity differences between the two sectors" (p. 170).

3.2.3 Evidence from Madras

A study by GRG (1980a) looked at the structures of incomes of the "slum workers" in Madras (Table 3.7). They classified the workers by five employment status groups. The average monthly earnings showed a range of Rs. 140 for self employed to Rs. 340 for employers. (see Table 3.7). The self-employed constituted almost 50 percent of total slum workers. Even for the employees of organised sector, the average earnings are lower than average income of blue collar workers in the organised sector for the city as a whole. The explanation offered by GRG for these low earnings in the unorganised sector compared to the formal organised sector is that most of "the occupations in which the slum workers are engaged are primarily consumer-oriented occupations (about 70%), characterised by easy entry and low skill content. Low earnings are a result of sharing a given size of work/business by a larger number than the
optimum". (p.37 and 88). Secondly, there is some attempt made to explain the differentials within the five employment status groups. An indirect evidence of their argument is presented in their own data on skill levels and activity types as given in Table 3.8. The large share of consumer oriented activities with low-skill components contribute to the low earnings.

Table - 3.7
Percentage Distribution of Slum Workers by Employment Status and Monthly Income (Rs.)

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Monthly Income Group</th>
<th>Total</th>
<th>Average Income Rs./month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0-150</td>
<td>151-350</td>
<td>351+</td>
</tr>
<tr>
<td>1. Self employed (non-estd.)</td>
<td>72</td>
<td>24</td>
<td>4</td>
</tr>
<tr>
<td>2. Employed (organised)</td>
<td>21</td>
<td>22</td>
<td>57</td>
</tr>
<tr>
<td>3. Employee (Unorganised)</td>
<td>68</td>
<td>29</td>
<td>3</td>
</tr>
<tr>
<td>4. Family Enterprise (owners/workers)</td>
<td>49</td>
<td>30</td>
<td>21</td>
</tr>
<tr>
<td>5. Employers</td>
<td>-</td>
<td>35</td>
<td>65</td>
</tr>
</tbody>
</table>

Source: ORG (1980) Table 3.2 p.37
Table - 3.8
Percentage Distribution of Workers by Skill Levels and Activity Types

<table>
<thead>
<tr>
<th>Skill Levels</th>
<th>Consumer oriented activities</th>
<th>Producer oriented activities</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled</td>
<td>2.1</td>
<td>29.4</td>
<td>10.3</td>
</tr>
<tr>
<td>Semi-skilled</td>
<td>26.6</td>
<td>18.5</td>
<td>24.1</td>
</tr>
<tr>
<td>Unskilled</td>
<td>71.5</td>
<td>52.1</td>
<td>65.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>All</td>
<td>69.6</td>
<td>30.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The purpose behind the groupings based on skill levels indicated in Table 3.8 is to understand "whether the low income of slum workers are due to inherent low productivity or inefficiency of these occupations, or these are a result of various factors like inadequate capital, lack of demand (or keenness of competition) and unfavourable location" (p.55). The first group consists of un-skilled service occupations where "an increase in income is not possible beyond a certain point on productivity consideration under the given market conditions in a typical urban economy in India". The second group consists of petty traders, semi-skilled workers in construction and crafts, where low incomes are "primarily due to a combination of factors like keen competition, lack of access to acquisition of training, capital etc.". The easy entry to these opportunities resulting in sharing of the market leads to low earnings. The third more advantaged group consists of skilled occupations chiefly in manufacturing. Unfortunately these remain at best interesting hypothesis without a rigorous analytical substantiation.
3.2.4 Determinants of Earnings in other Developing Countries

In earlier sections, from both Papola’s (1978) data for Ahmedabad and ORG (1980)’s for Madras, we saw that earnings of the self-employed showed wide variations. Similar findings are arrived at by Mazumdar (1976) on the basis of data from Peru, Tanzania and Malaysia. He found that amongst the self-employed, there was a wide range of incomes even within each activity. For Tanzania, using Sabot (1975)’s data, he showed that six of the eight activity groups had a bi-modal distribution. Similarly, for Malaysia, there was a wide diversity of earnings amongst the self-employed and substantial proportion of this group perform better than the wage earners". (p. 666). Similar observations mainly on the basis of Latin American experience are put forth by Lloyd (1979). "One difficulty in looking at types of employment in terms of occupation or relations of production is that in each category one finds a wide range of incomes". (p. 149). Lloyd further identifies the important criteria for success within the broad category of self-employed. Firstly, he points out that the most important criteria are the acquisition and accumulation of capital. The age at entry, skill and hard work also play some role. However, more important factors are "stability of employment gained and incidence of misfortunes". Equally important is the established network of personal contacts. This in some sense goes back to the family background, as it is through this that the nature of contacts is determined. The need to make a personal gain rather than collective bargaining affects their bargaining strength adversely in the long run.

In a study of Bogota, Colombia, Mohan (1980) puts forth an interesting new hypothesis, that "income variation is clearly related to variation in investments in human capital but also, it would appear, to occupation, type of activity,
and location of residence of the worker" (p.115). He first divided the city into eight distinct sectors based on radial patterns. For the city as a whole it was found, as expected, that people with less education have flatter income profiles. However, in poorer sectors "even people with higher education earn less than those with similar levels of education in richer sectors" (p.106). This of course only shows an association. Causation can only be tested through a multivariable analysis which could begin to disentangle the various effects on income.

In his subsequent work on Bogota, Mohan (1983) adapted the traditional human capital model utilizing education and experience variables. "Specifically, the effects of workers' backgrounds and employment characteristics were considered". The level of education achieved was the most important determinant of potential labour earnings. The real returns to education range from 10 to 15 percent. The returns to higher levels of education are higher whereas the marginal returns to lower levels of schooling are declining over time. The background variables like the region of origin and the location of current residence were used as proxies for ability, schooling quality and other unmeasured productivity characteristics. Although their effect is statistically significant, their inclusion does not affect the explained variance significantly. Mohan (1981 b) and Fields (1980) also look at the issues relating to the existence of labour market segmentation.

Fields (1980) puts forth five definitions which are commonly used in the segmentation literature.
These are:

i) "Heterogeneity of income;

ii) "Heterogeneity of outcomes among 'comparable' workers as a function of group in the labour market (e.g. occupation or industry);

iii) "Heterogeneity of labour market functioning in various submarkets;

iv) "Limited access to good jobs;

v) "Non-random access to the available jobs".

Taking the definitions ii) and v) together, an explanation of "why intergroup labour market differentials exist may be attempted by showing that inter-group market differentials exist in particular dimensions". (p.90). Fields further used different empirical models to understand "how segmented Bogota's labour market is". He found that although there were differences among groups, there was a lot of inequality within each group as well as that there were no clear signs of duality or bimodality. Also, despite differences in income in different industries and occupations, given the education and age for workers, these were not "economically significant in magnitude nor statistically significant in sign". (p.92). The market however is segmented according to exogenous variables like sex, as their earnings functions are significantly different. Although this is also true for endogenous variables like occupational and industrial groups, these results may be considered valid only if there is no inter-group mobility and the distributions of omitted variables amongst the groups were identical. Mohan's (1981 b) subsequent analysis of Bogota and Cali also brings out that the labour markets are not characterized by a strong protected sector. The earnings functions for different groups are also not significantly different. He therefore emphasizes that a concern for poverty should lead to a direct examination of low paid workers and their correlates.
Mazumdar and Ahmed (1978) in their study of Malaysia, also try to isolate "the contribution of institutional variables to the explanation of the earnings of employees over and above the standard human capital variables" (p.7). Their major hypothesis is that "A specific location in the labour market does not so much shift the earnings function for a typical worker as alter its slope with respect to the human capital variables used in the function" (p.2). The main institutional variable which they considered was the plant size. However, for the unskilled this is not very relevant and even for skilled occupations the relative importance of this variable is small. Of the human capital variables, there seems to be "a trade off" between experience and formal education, with the returns to experience being higher in the lower rung of the labour market, and the returns to education higher in the upper rung" (p.33). Similarly the opportunities for increased earnings for better educated in large plants are balanced by greater returns to experience for workers in the smaller plants.

Before we end this section, a word on the probable reasons behind the lack of collective bargaining amongst the workers who broadly constitute the informal sector is needed, since this aspect may form one of the major reasons for the low earnings in this sector. We rely mainly on Berman (1977) who vividly brings these out through his study of the situations in a District town, Valsad, in South Gujarat. He points out that in view of the lack of any external guarantees for the most minimal protection and security, the interest bargaining is necessarily attempted through vertical ties of personal dependency type of relationships. These types of relationships ensure the lack of solidarity. Similarly, any organization on a horizontal basis is hindered because of the widely differing and non-specialized nature of work, fluctuations in work locations, "a limited number of personnel in many work situations, the day-to-day existence for livelihood
and strong social sanctions against those who dare to stand up" (p. 340-341). Similarly, the multitude of castes, most of which are low in the social hierarchy, and a lack of a spatial segregation, prevent any feelings of solidarity. The most likely framework for interaction according to Breman is the neighbourhood. However, this has a social rather than an economic basis and as much acts as an outlet for their unrest and passive resistance rather than a solidarity for interest bargaining in economic opportunities.

3.3 LABOUR MOBILITY PATTERNS

There have been two distinct approaches in the study of labour mobility. The first depending more on the economic definition of mobility emphasizes the voluntary mobility. The available studies on this with respect to urban labour are reviewed in section 3.3.1. The second approach is based more on the concepts of social mobility. The recent trend in this field is on the life-time performance of workers in the urban labour market. The related studies are reviewed in the following section.

3.3.1 Voluntary Labour Mobility

There are very few studies which have examined the mobility amongst urban workers from this approach. In a study of different industries in Surat, Thakker (1969) looked at internal as well as inter-plant and inter-industry mobility amongst industrial workers. On the whole, the work-force was found to be quite immobile in all these. The internal mobility was restricted to less than 10% of workers. Inter-unit mobility was more prevalent amongst the Art-silk Jamd and Engineering industries. However, its extent was very
limited in the Textile, mainly because of the small number of units in this in Surat. In the others, a worker who started his career in the lower ranks tried to find better employment after sufficient experience. This search was however largely restricted to the same industry as almost 90% of the workers had not made inter-industry moves.

Ramchandran's (1974) study of labour mobility in Bombay attempted to relate personal characteristics of workers to their mobility experience. Although the younger workers were more prone to change a job, "the average number of jobs per worker normally tended to increase with the rise in age. Their rather surprising finding regarding the sole and principal earners being more mobile than the secondary earners is due to a methodological problem as the workers' current earning status were compared to explain their past mobility patterns. The workers in skilled occupations were also more mobile. In terms of types of moves, "workers changed employers more often than industry, more occupations than industries, and made lower changes in geographical location,... In other words, the preference was highest for geographic area and the least for employers. This was further substantiated by the fact that workers preferred taking up jobs in places of their choice rather than go by the employer's reputation", (p. 25).

Papola and Subramaniam (1973) in their study of the Ahmedabad labour market, specifically with reference to the organised manufacturing sector, looked at both the nature and extent of mobility. They found the workforce to be relatively immobile both in terms of past mobility patterns and the desire to change in the future. This also appears to be economically quite rational, as a change of job to some other plant or industry does not really bring any substantial advantage. They also found that internal mobility though it takes a long time. "If achieved, seems to bring larger pecuniary advantage to
the worker*. (p.101). The potential mobility, measured as the desire to change, is even lower than the realised mobility. "This suggests that the workforce which is already highly stable, has a tendency to stabilise further". (p.103).

Another study by Subramaniam et al. (1979) examined the mobility of construction workers in Ahmedabad. A large proportion of the moves made by these workers were found to be involuntary in nature. This was considered quite rational in view of the relatively poor chances of his getting an alternate job in a labour surplus situation". (p.129). The nature of mobility was found to be mainly restricted only to movements from one work-site to another under the same or different employer. Even occupational changes are rare. Further, in spite of their dissatisfaction with their jobs, their desire to change is low, probably reflecting the "discouraged worker" phenomenon.

3.3.2 Life Time Performance of Workers

The life-time performance of workers may be considered in terms both of changes in real income, as well as the routes followed in entire career of the workers.

Scott (1978) based on her work on the working class in Lima, Peru, identified the occupational careers of the workers, as paths of movement between differentiated work structures. She identified distinct mobility patterns which were evident in the occupational careers of the workers. The emphasis here was not on crude employment categories, but the analysis was "in terms of attachment to a particular type of enterprise, or involvement in a particular form of production". The more frequent mobility patterns related to four models, namely; "Skill maximising - those who learn a trade and work in it for the rest of their lives, alternating between wage and self-employment; Stability maximizing - those who find a good factory job and stick to it as long as they can; Entrepreneurial - those who use factory employment as a basis for saving and setting up on
their own usually in commerce and services; Lumpen proletarian-those who perceive their choices in the labour market as extremely limited and rely on casual, unskilled, unstable employment."

It would be certainly useful to relate the above type of mobility models to other worker and activity characteristics as well as their effect on lifetime performances of workers as discussed earlier.

Deshpande (1979) throws light on the relative chances of workers in the three sectors in Bombay labour market. The average percentage gain in real wages were calculated on the basis of current earnings over earnings in the first job. These ranged from a mere 2% in the casual sector to 45 and 155 percentage for the other two regular sectors. The high gains in the factory sector are attributed to both institutional factors as well as growth in demand. The latter explanation most likely holds for the workers in small establishments also, although there may not be much union activity. The casual sector suffers in all ways. Along with the lack of any institutional protection, there is "fierce competition from fresh migrants also". According to an estimate quoted by Deshpande, "47 percent of the male migrants with duration of residence of half a year, outmigrate before they complete their third year in the city" (p. 181). Lastly, the gains in real incomes will depend on the nature of inter linkages with the rest of urban economy and their likely impact whether beneficial or harmful, as discussed earlier in sections 3.1.3. This only further strengthens our contention that the chances in a particular sector are clearly related to the development of the economy as a whole.

ORG (1980a)'s study for Madras attempted to test a hypothesis suggested by Mazumdar (1976) that, "workers in the informal sector - whatever their earnings at the point of entry - would typically produce a flat age earning profile (or at any rate significantly flatter than the profiles of workers in the formal sector). (p.655). This may be
tested through a cross-sectional age-income profile for particular occupations or employment status groups. Alternatively time trends which look at the growth of income for the same individual workers over time during his career may be attempted. The cross-sectional profiles for most of the occupations in the informal sector do have a very flat age-income profile. However, for the skilled occupations in the organized sector this is not the case. Even when they looked at the same individual worker over time, the trend remained the same. The explanation offered for these patterns remains the same as before of divisibility of the opportunities in this sector. In contrast to these findings, Mazumdar's cross sectional analysis for Malaysia on the basis of a large-scale household survey found "little difference in the shape of the profile for the male employees and the male self-employed. Females in both categories have flatter profiles, though the degree of flatness for the self-employed is greater". (Mazumdar, 1976, p. 664-665).

None of the three studies looked at the career routes followed by individual workers. Although Deshpande (1979) does look at the mobility amongst sectors, typical career paths as identified by Scott (1978) above, are not discernible. King (1974, 1977) gives an example of a youth "who hovered for years between wage and self-employment as his ventures into the latter failed before becoming ultimately successful". (Lloyd, 1979, p. 152). On the other hand a contrasting example is provided by Roberts (1973) of Pepe, who moved from being a barber, to a banjoplayer, back to a barber as an employee, then had his own shop, moved to military as a barber, moved back to civil life as a bus-inspector in a local transport company. At retirement he joined his wife in their small corner shop in a slum settlement. The career
routes are thus likely to vary quite a lot for individual workers. Some generalizations on the basis of prevalent patterns are essential to gain a better understanding of the likely effect of different factors on these. Standing's (1977) descriptions of the multiple activity workers provide many clues in this regard. He distinguishes between three types of workers who engage in a number of different activities at the same time or over a period of time. The first type, 'Scratchers', "scratch at this and scratch at that simultaneously because they are only able to survive by such a combination" (p.45). The second group find their earnings insufficient in one activity and therefore seek additional work. The last type are those who, on being successful in one activity, invest the savings in another and so on. The probable reasons why they do not specialize are that the possibility is "limited by the extent of the market". Also multiple activities help in minimizing the risks which are common due to high competition. This thus remains an important area for research in view of an almost complete lack of information for India.

3.4 SUMMARY

The new emphasis on the vulnerable sections of urban workers has led to two major approaches to study and action. The first relates to the 'discovery' of the informal sector and the second to the working of the labour market at the lower strata. Both however are interrelated issues to a great extent.

The informal sector has its theoretical basis in dualistic concepts and has been used as a policy tool by ILO's target group approach. Despite the probably valid criticisms of ILO's policy measures, their emphasis on informal sector
has had a positive influence in shifting research emphasis to the whole gamut of complex activities from which a large section of the urban population literally derives its daily bread. The conceptual developments in this field suggest three basic areas of concern, namely, the characteristics of the informal sector, its linkages to the rest of the urban economy and the differentiations within the so-called informal sector itself.

A variety of characteristics have generally been used by researchers to define the informal sector. These may be grouped into those related to the characteristics of the enterprise or the nature of exchange relationship with the state and rest of the economy and those based on the employment situation or labour market processes. The criticisms of use of such characteristics have been two-fold. Firstly, there are questions regarding the relevance of these characteristics compared to the objective realities and secondly, in terms of the comparability of these different criteria. A distinction based on one criterion does not run parallel to that based on other criterion. The second major aspect to be covered in the literature is the emphasis on non-exclusiveness of informal sector from the rest of the economy. A variety of linkages have been identified by the researchers. The differences in these affect the broad spectrum of activities within the informal sector differentially. The recognition of this internal differentiation is thus emphasized in most studies in this area.

Three different views emerge regarding the policy implications of informal sector concept. The first view places emphasis on the function of the informal sector as a buffer zone. The proponents of this view do not consider it "feasible to accept that policies should be oriented towards maintaining
inefficient and small scale economic activities which make use of retrogressive technology". Only the fastest possible expansion of the formal sector is considered appropriate for raising the standard of living of the population.

The second view, largely promoted through the ILO's studies under the auspices of World Employment Programme, emphasizes the structural disadvantage approach. The major premise of this view is that despite the advantages of the informal sector in terms of "flexibility, viability and adapted technology of productive activities", it is disadvantaged by unfavourable market conditions and lack of governmental or political protection. The policy orientation is therefore obviously towards compensatory measures like better credit, technical training and formation of cooperatives. The third view emphasizes the importance of the linkages of the informal sector to the rest of the urban economy and the largely exploitative nature of these. The possibility of the positive growth of informal sector with beneficial impact for worker sections is, therefore, considered dependent on the nature and types of linkages that are operating in reality.

Many recent studies of urban employment have looked at the structure of earnings in different industries, occupations and sectors of work. Broadly, their results indicate a large gap in earnings between the formal and informal sectors. Within the informal sector, however, the self-employed tend to have better earnings, with wide internal variations, than the other sub-sectors. There is a need to check on intra-group variations in earnings to exhibit very distinct distributions. A few recent studies have also looked at the determinants of earnings in developing
countries. These have generally found the influence of human capital variables to be quite pervasive. The evidence from Bombay suggests the persistence of sectoral variations in earnings even after controlling for human capital variables. Further, the importance of other factors is much more pronounced at the lower ends. The results from other countries like Malaysia and Colombia, however emphasize that though the sectoral and segmenting variables are statistically important, the magnitude of their economic impact is not very large. There seems to be no clear evidence of a protected formal sector in Bogota at all.

On the whole, there are very few studies which have specially looked at the mobility patterns amongst the urban workers. The available studies generally find the workers to be relatively immobile both in terms of the past immobility and the desire to change. The second set of studies mainly examined life-time preformance of workers in terms of career routes. Even here, the evidence is too scanty to give any generalised pattern. The second aspect of the life-time performance relates to the flatter age-earnings profiles amongst the workers in the informal sector. The available evidence is conflicting and no clear picture emerges.

The review of these studies brings out a clear need for more empirical studies to gain a better insight into the workings of the urban labour market with respect to the three areas of sectoral development of the urban economy, determinants of earnings and the mobility patterns amongst the urban workers.