CHAPTER - I

INFORMAL SECTOR IN A DEVELOPING ECONOMY: PROBLEMS AND PROSPECTS
CHAPTER I

INFORMAL SECTOR IN A DEVELOPING ECONOMY - PROBLEMS AND PROSPECTS

1.0 INTRODUCTION

The concerns of less developed economies are at one level, very obvious that there is poverty, chronic under-employment, unemployment and exploitation. To these, Government after Government have responded earnestly to raise investment, encourage labour intensive techniques of production and several legislative measures against high interest rates and low wages. But, the stubborn persistence of most of these problems had increasingly made us to aware that economic under-development had more to it than meets the eye.\textsuperscript{1}

Perspectives of economic growth and rapid transformation which emphasise the growth and expansion of capitalistic sector were the concerns of 1950s and 1960s. 1970s witnessed large focus on agricultural sector and in 1980s significant emphasis has been made on the growth of non-capitalistic and non-farm residual part of the rural economy and unorganised sector of the urban economy. Development model of Lewis and two sector model of Fei and Ranis based on competitive markets envisioned the growth of capitalistic sector and rural urban migration as principle source of urban growth. In this chapter, an attempt has been made to find a niche for informal sector after analysing the theories of economic growth and labour market, along with discussion on size and characteristics of informal sector and policy implications derived therefrom.

\textsuperscript{1} Basu, K. :"The less developed economy; a critique of contemporary theory", Oxford University Press, Delhi, 1984, p.3.
Writing with a sweep reminiscent of classical writers, Arthur Lewis analysed the process of development in two long essays and together with Nurkse, Rosenstein Rodin and others put development economies on the map, and it has remained there ever since. But in recent times, once again there has been a change in its concern and method. This has been ushered in without any single word making the cross roads, but the change is nevertheless significant and promising.

In recent years, development economies are distinguished by being less ambitious and more realistic in its aims. Its concerns are more with short run rather than long. Attempts to describe the path of development over decades so popular in the period immediately following Lewis, no longer occupied the centre stage. The focus now is on the problems in the structure of under-development and not just on the process of development.

According to dual economic model of Lewis, the pace of capital formation depends not on the level of per capita income but on the distribution of income between the capitalist and subsistence sectors. Broadly speaking, profit component of national income is the income of capitalist sector whereas wage component is claimed by the subsistence sector. The model predicts that in under developed countries, the savings would be low not because of their low incomes but their having small capitalist sector. To accelerate their economic growth, the policy prescription generally offered is the development of the capitalist sector by the distribution of income in favour of it. This model attempts division of the economy on the basis of
employment of reproducible capital - the capitalist sector using reproducible capital and subsistence sector not. Thus, investment is seen as a cure of all economic problems of third world countries and plans are made in financial terms; India being no exception. The Western growth models seem to have gained acceptability well before independence in India when D.R. Gadgil, writing Industrial Evolution of India\textsuperscript{2}.

Myrdal was much against this view when he expounded, after observing broad correlation between poverty and inequality in South Asian countries. The trend towards rising inequality stand as a complex of inhibitions and obstacle to developments and thus, consequently there is an urgent need for reversing the trend and creating greater equality as a condition for speedy development\textsuperscript{3}.

The development experience of the third world countries clearly shows that different socio-economic groups have unequal shares in the fruits of their industrialisation due to the failure of benefits of development to trickle down, as they followed the path of capital intensive, export led urban based enclave type of industrialisation. It was found that a large section of urban population is excluded from participation in capitalistic sector and its attendant benefits, let alone its rural counterpart.

\begin{flushright}
\end{flushright}

\begin{flushright}
\end{flushright}
It is only in the last decade that the informal sector has become a focal point of research in the area of urban labour market in the wake of heightened concern for poverty alleviation problem. Alternatively, "wage goods" growth model is advocated by those who rely on classical model for the analysis of developing economies. The main argument of the proponent of this model is that the growth of labour abundant under developed economies is retarded by wage goods gap. Criticising the inadequacy of dualistic growth models, Kurien classifies labour-abundant under developed economies which differ from western developed countries, not only in the level of income but also in income structure into three categories of households.

This development theory that predicted permanent transfer from traditional, subsistent sector to modern urban capitalist sector proved unsuitable to labour abundant under developed countries in whose economies owner producers i.e. the self-employed predominates. Failure of the modern sector to grow at any pace near to rate of additions to labour force in third world countries has led to alternative thinking in their growth strategy. The right growth strategy is accepting modern sector and self-employed household sector as complimentary sectors forging appropriate links between them instead of characterising them as competitive sectors.

1.1 GENESIS OF THE CONCEPT OF INFORMAL SECTOR

During early seventies development studies particularly those dealing with employment, incomes and equity saw

considerable attention being given to what is termed the "informal sector". Later the term gained currency and emerged as an accepted concept in development literature. In recent years, it has been used to denote production units of small size including handicrafts, which have "domestic or non-organised character" and some of them may be treated as parts of the "non-monetary" sector. After working with dualistic models (consists of the modern and the traditional sectors), it became evident that the Lewis process did not materialise to bring about the absorption of surplus labour in wage employment through modernisation and growth. On the contrary, the problem of unemployment, poverty, equity, unbalanced and sharply differentiated structures become more acute in most parts of the third world.

It was during the process of analysing that the experience of development planning, especially with respect to employment and unemployment and relevance of the concepts, theories and strategies of development of 1950s and 1960s that the concept informal sector emerged as a means of systematically comprehending some aspects of economic and social situations of developing economies particularly the nature of unemployment, underemployment and poverty. It also used as a tool of organisational forms of economic activities for devising viable and feasible strategies, policies and programmes for fuller employment and growth. It also implicit in the Marxist writings

on the petty mode or form of production and the Soviet concept of
multi-structural form of society. The essential point implicit
in the informal sector theorising was that under-development
cannot be grasped in terms of universal averages and as a
homogenous phenomenon as was implicit in the development
literature of 1950s and 1960s. It attempts to capture some of the
diversity and differentiation endemic to under-development.

Over the years a number of theoretical and empirical
works have appeared on the subject (a detailed review of the
literature on these works have been presented in the next
chapter). The diversity of views and controversies on informal
sector have generated some controversy, confusion both semantic
as well as substantive, especially owing to the fuzziness of the
concept. However, while many may not explicitly make use of the
concept in development policies and planning, there is a trend to
the contrary as well. Resurgence of liberalisation with accent on
market mechanism and privatisation in development policy tend to
ignore the issues raised by the widespread prevalence of the
informal sector though ironically these processes including those
of structural adjustment programmes have led to greater
informalisation.

It is our intention to critically examine some
important formulations about the concept, characteristics and

"Informal Sector or Petty Commodity Production, Dualism or Dependents in Urban Development", World Development, 1978, pp.1041-64.

casual factors of informal sector in this section. Then selectively reviewed some of the critical features of the informal sector as revealed by some recent empirical studies (Chapter II). The succeeding sections of this chapter attempt to go into the forces and process which contribute to the phenomenon of the informal sector. It also covers the structure, characteristics, linkages and policy implications of the informal sector.

Prior to the advent of the informal sector concept, various classifications such as 'organised and unorganised', 'modernised and traditional', 'capitalist and subsistant' sectors have been used for analysing the dual nature of the urban economy. All these dualistic frames made emphasis on the discontinuities in the urban economic organisation. They also analysed the distinguishing characteristics of these two sectors often highlighting the policies of the growth of the first sector neglecting the other. The theoretical origin of informal sector is traced to dualistic theories of Lewisian Lineology equating capitalistic sector to dynamic modern sector and treating rural agriculture as traditional stagnant sector.

Within the dualistic frame, urban economic activities and labour markets were analysed and they came to be known with different two way classifications. Organised-unorganised, modern-traditional, capitalist-subsistant sectors have been used for economic activities; while distinctions have been proceeded on the lines of organised and unorganised, protected and unprotected, regular and casual workers in the analysis of urban labour market.
The fact that trickled down effects were not operating quick enough despite accelerated growth policies pursued by many third world countries led to the search for alternative growth strategies that meet the twin strategies of employment and equity. The term 'informal sector' gained wide currency during the course of country and cities studies carried out under the auspices of International Labour Organisation (ILO) World Employment Programme. These studies advocated growth strategy giving employment as prime objective unlike the early strategies which emphasised the growth obtaining employment as a residual. Adopting positive approach to this sector, some of the studies highlighted the productive role of it with potentialities for employment generation and more equitable distribution.

To this array of labels, 'formal and informal' sectors dichotomy has been added as a meaningful and convenient method of analysis of urban economic structure. The formal-informal sector dichotomy was first used by Keith Hart in his empirical study of Urban Ghana. This concept started gaining considerable importance in the literature of development policy in general and employment policy in particular. The report also stressed that in order to promote employment opportunities and to achieve more equitable income distribution it is important to concentrate development efforts on a specific target group, i.e. informal sector.

Under the auspices of ILO's employment programme, a number of country studies and city studies were carried out. A detailed review of these studies has been presented in Chapter II of this thesis.

1.2 STRUCTURE OF INFORMAL SECTOR

Informal sector gained significance in recent years as a source of employment to urban labour, which is reflected in its growing size of urban labour market. The table given in Annexure 2.1 of second chapter reveals some size estimates of Indian urban informal sector emerged from the empirical studies conducted in 1970s. The common feature of the Indian studies is to base their estimates of employment in informal sector with reference to enumeration, sector of economic activity, employment size of establishment and nature of employment. The implicit assumption of these studies is that workers in small private establishments are disadvantaged groups in terms of wages, employment and working conditions. To put it in other words, they are employed in secondary sector labour market. The main achievement of these studies is the shift in the emphasis from development strategy based mainly on economic growth (wherein employment was treated as residual) to the strategy which focussed employment as prime objective.

It is generally observed that many developing countries particularly in the third world, there are a number of people who supply a number of goods by way of production or by way of exchange and perform a number of services in almost every economy on the basis of their own resources of finance, equipment, traditional, inherited or locally acquired or adopted skills,
and generally with the help of family labour though to some extent labour hired under different sets of conditions is also used. Finance can at times be borrowed from the traditional, local sources, i.e. informal money markets.\(^9\)

Lately, in some countries, banks, cooperatives and public agencies too have stepped in to provide finance to the informal sector. Of late, such activities have increased in terms of (a) number and variety of activities, (b) number of persons engaged in these activities and (c) in terms of value and output and extent of capital equipment used in these activities. The chart given in Annexure 1.1 provides the structure of informal activities and variety of the links within themselves and rest of the economy, despite their diversity and relative isolation.

However, all these activities and their notable size are not entirely new. Even during the colonial period, there emerged a floating and amorphous bazaar sector with only tenuous and intermittent links with newly emerging modern sector in most of the colonies.\(^10\) One can say that this bazaar sector consisted, on the one hand, of a number of traditional activities which are on the decline and on the other hand, of some new activities in which the throw outs for traditional occupations and were trying to productively reestablish themselves. With the


development efforts undertaken after decolonisation, both conventional and new types of such activities have continued to increase making use of personal labour, family labour and to some extent hired labour. These activities generally draw upon the labour which have failed to find a niche for itself in the organised, modern public and private sector activities. The overall contribution of such activities generally organised on a small scale as own account enterprises in the occupational structure and G.D.P. (and at times even in exports) of the developing countries remains substantially large and noteworthy.

Even when the overall growth of capitalist production is fairly well advanced and is in certain spheres, keeping with the trends seen in the main centres of capitalist growth, one finds that the informal sector is taken as a departure from the norm as a kind of persistent legacy of the part as well as emergence of new but non-typical forms of production. Now, recognition of this phenomenon in all its import, particularly in the case of countries experiencing late capitalist development, may be to some extent owing to the overpowering influence of the acquired or inherited theoretical models. It is reasonable hypothesis that a production system which tends to become increasingly concentrated and centralised and experiences "involuntary growth", which led to emergence of micro-enterprises, various methods of labour development, multiplicity of forms of organisation, degree of socialisation and adoption technology of different vintages. The informal sector is, in fact, the epitome of multiple unevenness of capitalist development, particularly late capitalist development. Unevenness
of development leads to differences in the capacity to organise production.

While some entrepreneurs would be in the forefront of technology, investment and marketing, others would be in the process of making a transition from either peasant farming, trade or informal money markets to more up-to-date industrial forms of production. It is this ensemble of different forms of production in the context of mode of production marked by a high order of multiple unevenness, representing creative-adaptive response to serious bottlenecks holding back development which constitute the essence of the production structure of the informal sector. But, its creative-adaptive features make some varieties of informal activities outlast any specific stage of development and make them survive into many relatively advanced societies as elements imparting a certain degree of flexibility to the basic organisational forms and scope to human ingenuity and creativity.

1.3 CHARACTERISTICS OF INFORMAL SECTOR

The concept of informal sector has gained wider usage in recent years than ever before. Yet, the concept has remained somewhat obscure and caused confusion in some quarters. However, there are a number of characteristic features of informal sector either derived on a priaristic basis or from several empirical studies on urban areas in developing countries.

Keith Hart's dualism is based on one single characteristic viz. the distinction between income opportunities in self-employment and wage employment. Formal sector is equated with employment whereas informal sector is correlated with low incomes and self-employment. ILO reports enumerated in detail some specific characteristics of the enterprise. The informal sector has the characteristics as presented in Chapter II of this thesis. The report also distinguished the formal and informal sectors in terms of Government aid. The formal sector activities are officially recognised and fostered by the Government by providing direct access to credit foreign exchange concessions. On the other hand, informal sector activities are largely ignored, rarely supported, often regulated and sometimes actively discouraged by the Government. Therefore, the characteristics of the informal sector as stated by several researchers stressed that the informal sector - either agriculture or non-agriculture - with low incomes resulting in primacy of risk and uncertainties.

The enterprise characteristics of informal units were questioned as to their relevance for across country urban economic activities by critics who attempted field work explorations. On the basis of field work in Bogota, Columbia, Peattie, found contrary to ILO generalisations, a lot of organisations existing among informal activities and entry into them was highly differentiated. To avoid ambiguity, while distinguishing the informal sector from formal one, economists

attempted to provide an analytical base. John Weeks distinction is based on the organisational characteristics of exchange relationships and the position of economic activities vis-a-vis the state. Deepak Majumdar study describes informal sector as unprotected sector. Majumdar has brought out the distinction by stating that entry into the informal market is unrestricted, whereas in the formal sector labour market it is restricted by several norms and procedures. It is also identified as a reservoir of skills by some experts which can be made productive, if effective demand is created for them. Breeman considered mode of production as a basis for analytical distinction between formal and informal sectors. To him, the distinction refers to two economic sectors, each having its own structural consistency and dynamics.

From the above descriptions of the formal and informal sectors, it is very clear that the concept of informal sector is an all inclusive term. Thus, the various definitions of the elements of informal sector indicate a broad spectrum of heterogeneous of urban poor households ranging from employment in small scale industries to self-employment. This heterogeneity can be noticed in terms of skills, income, in informal sector led to the search for a common criteria for the identification of


informal sector enterprises. Thus, the focus of enquiry should be primarily on enterprise rather than the individual participant in the informal sector. The informal sector thus includes all enterprises with 10 persons or less engaged in manufacturing, construction, transport, trade and service sectors.

Prof. Papola, a critic of ILO's characteristics of informal sector has drawn attention that putting all formal units in oligopolistic product market and informal units in competitive market is not correct. Though informal units like handicrafts operating in non-competitive markets, the workers in this sector do not get adequate share due to middlemen usurping in most of the surplus. He was of the view that for policy purposes, it is not only necessary to identify the technology, but also reasons for non-use of capital intensive technology by small firms which may be due to no access to technology or because it does not suit them in the given relative cost position of capital and labour. Provision of technology helps the informal units in the former situation but not in the latter. There is ambivalence of technology arrangements in relation to the informal sector as labour intensive technology is presented as an asset promoting labour intensity. That is employment as a liability resulting in low productivity. Preservation of existing technology is justified when it is labour intensive and generates reasonable levels of productivity and income. Regarding the absence of informal structure and extensive usage of family labour, it is

admitted that the structure depends on the size of units and is not necessarily related to the pattern of ownership.

Therefore, on the basis of the above discussion, there are two sharp contrasts in literature as to the growth prospects of urban informal sector. The predominant stand taken by ILO sees greater potential for the independent growth of informal sector; other view refers to exploitative relationships between formal and informal sectors and evolutionary growth. The proponents of latter view, question the possibility of economic change without political change. In the light of conflicting views, it is worthwhile to present the links between the two sectors in the developing economy.

The direct linkages may be in terms of resource inputs from formal to informal sectors or technology or market linkages. Exploitative nature of contracts between the two sectors in the form of unfavourable terms of trade much against to the informal sector, contributes to its involuntary growth.

Another view put forth by Bose sees the informal sector performing two functions. It produces cheap goods for urban and rural poor, who otherwise find it very difficult to purchase high cost standardised goods of formal sector. Low cost of informal sector goods is mainly due to the low wage prevailing in this sector. Secondly, it helps the formal sector to make huge profits through uneven exchange relationships. Papola's Ahmedabad study also identifies informal sector units having high productivity and earnings were those enjoying vertical market and technical linkages with the formal sector. Operations Research Group (ORG) study of Madras found backward and forward linkages existing
between formal and informal units in manufacture, trade and services. Indirectly linkages refer to demand for goods and services of informal sector by clientele who derive their income from formal sector.

State recognition and regulation as a distinguishing criterion between the two sectors is more relevant in analysing the dualistic nature of labour market. In India, in the manufacturing segment, factory labour is protected by labour legislation whereas non-factory workers are subjected to uncertainties, whims of their employers as to the terms and conditions of employment.

Characteristics on the whole, to define or understand the informal sector, may be grouped into three categories. Those related to the characteristics of the enterprise, those related to the nature of exchange relationship with the state and the rest of the urban economy and those based on the employment situation or labour market process.

The series of city studies conducted at the instance of ILO's World Employment Programme reveal that the share of urban labour force engaged in the informal sector ranges anywhere from 20 to 70% in urban areas of many developing economies (see Annexure 2.1).

In India, several studies have attempted to identify the informal sector for a city as a whole and estimated proportion of workforce in this sector. A detailed survey of informal sector in Indian cities and towns have been analysed in detail in Chapter II.
1.4 INFORMAL SECTOR AND INFORMAL MARKETS

It appears that the organisational-institutional variables constitute the core of the informal sector. The attempts to make the concept of informal sector represent the observed features of certain activities and occupations, not conforming to the pattern obtaining in the main stream and dominant activities and occupations in terms of a synthetic summing-up could not go for. However, certain analysis of under-development in recent periods tended to highlight the process and factors which contribute to the co-existence of the multiple and lower forms of production. This became possible by the replacement of the discursive-empirical approach and extension of market categories by analytical-historical institutional approach and the consequent theoretical innovations.

Much of the difficulties in conceptualisation are even recognition, let alone understanding of the aetiology of the regular and systematic existence of the informal sector arises from the prevalent methodology and conceptual frame work of understanding developed market economies and the attempts at nearly wholesale extension of the application of these market categories to the developing economies. The theoretical model of perfectly competitive economies failed to take into account various imperfections or increasingly large size of firms or high degree of monopolistic concentration. While this has been recognised and alternative models of markets economy in the form of imperfect competition, monopolistic competition, barriers to entry and aligopolistic development have been evolved, there has
been inadequate if any recognition of the prevalence of pre-capitalistic, small and tiny, archaic, atavistic, insufficiently integrated economic units displaying a variety of ingenious organisational forms. Even the concept of under-development as developed under the influence of mainstream of economies could not incorporate the phenomenon of the informal sector under its fold, at least not until the 1970s.

Since the 1970s, a wealth of empirical studies have been conducted on the dynamics of economic activity in the urban informal sector and forms of urban labour markets as well as on several facets of functioning of urban informal markets. These studies have demonstrated that urban informal sector consists of a vide variety of urban occupations in the developing countries. The informal sector can be characterised as having two forms of employment systems. A common stand connecting the unorganised markets in urban and rural areas is that most social institutions in the former are direct extension of the latter. However, there are significant differences between the rural and urban unorganised markets that makes a study of urban informal sector important by itself.

The urban picture therefore does indicate significant differences in economic organisation and can be analysed in two stages. First, the behavioural relations utilised as a part of the production techniques to secure appropriate locational rents in densely populated centres of the cities. Second, within the urban informal markets, one can look at the nature of interlinked contractual relations.
A recent study analysed the informal contracts in labour and credit markets. This study build up a model of interlocked markets and growth of informal sector in such markets. This study further examined the implications of such interlocked markets for market structures. An understanding of the nature and forms of these markets will have a great significant bearing on the knowledge on economic institutions in developing countries. It was suggested that informal institutions that arise out of regular behavioural relations govern transactions in unorganised markets. The interesting feature of these markets is that free-rider problems are not likely to emerge because of the nature of the informal contracts. Thus, the informal organisations in urban areas of the less developed countries present some promise for future development.

In the next few paras, some economic and policy implications of the growth and significance of urban informal sector under different market structures are discussed:

1.5 POLICY IMPLICATIONS

In view of its labour absorption and income generating capacity, the role of informal sector in an urban economy needs no emphasis. Thus, the informal sector has recorded a crucial place in the process of development. However, development of the informal sector with a view to increasing employment and productivity levels, raises a number of issues which have far reaching influence on policies. Despite several controversies,

its role in the development process, informal sector is considered to be the source of future growth and hence an integral part of urban employment strategy. Guystanding\textsuperscript{18} argued for a strategy for expanding informal sector as a means of combating urban unemployment and related employment problems.

It was stated that besides creating employment too the unskilled labour force in developing countries, the informal sector plays a vital role in the formation of human capital by providing access through training at a substantially lower costs when compared with the formal sector training institutions. Further, it was also held that informal sector, not only relies heavily on the use of local resources but also play a significant role in recuperating and recycling of various materials in the urban areas. Thus, in all respects informal sector is poised as the most promising sector in the development process.

The main policy approaches that stand out as dissymmetrically opposed contrast in the informal sector analysis are inherent disadvantage, structural disadvantage and intangible property rights and contracting process not recognised by the legal system. What is implied in this argument of inherent disadvantage is that small scale enterprises concentrating on discontinuities in a low income economy. According to this view, the two sectors compete neither for resources nor for markets. This argument sees a faster growth of formal sector appropriate

for improving the living standards of the people and informal sector in a transitory phase bound to perish with the passage of time. The theoretical works of Lewis, Pei and ranis and early policy approach of World Bank illustrate such a view point. The second argument is the "structural disadvantage" to which numerous enterprises in the economy are put to as a consequence of policy measures adopted by the government in favoring formal sector units.

Their economic success is held to be the result of the previlages they enjoy, not of inherent technical or economic efficiency. ILO studies under world employment programme stand as the backbone of this approach.

Jagannathan developed behavioural relations in informal property rights, production and market exchange\textsuperscript{19}. Informal contracts create exclusively in individuals dealing with each other and collectively enable them to generate and partition income streams. These informal contracting process require a reassessment of unorganised sector markets in developing countries. Virtually all markets are segmented through restriction seeking activities of individual and groups and a whole range of informal institutions created at different levels of economic activity. To understand the dynamics of change one has to appreciate the nature of informal contracts as social engineers, bridging organisational failure so that every section

of the population get opportunity to participate in the growth process. Here two features of unorganised markets are of great interest to public policy. First, the full use of the informal contracts to create endogenous social security nets and second, public organisations may design delivery systems which may have within them an organised system.

1.6 CONCLUSION

To sum up, policy could be directed towards two areas of research. First, technological and marketing studies should be conducted to further identify and convert many of the latent assets of the poor into income generating assets. While, this policy does not disrupt the existing informal contractual arrangements, in the long run it could provide the poor with sources of regenerative income. Second, the feasibility of organisational design for utilising existing informal groups as an efficient clan variety of cooperative needs to be researched. The policy implications of this measure are likely to be served in both rural markets and urban informal markets of developing economies.

In the backdrop of the above conflicting views stated, attention is drawn to the issue of whether informal sector is transitory or permanent; and whether these two sectors are complimentary or competitive. According to the former view, informal sector continues to grow as long as formal sector fails to provide jobs to all job seekers. However, in any case, income and technological gaps between the two sectors will not narrow over time. From the second point of view, it follows that gap
between the two sectors could narrow if resources are widely spread and the protection measures of formal sector was reduced. Forging links between the two sectors is recommended to improve the production of the entire economic system. Economic policy has several implications in improving links between the formal and informal sectors in a developing planned economy like India. The various developmental programmes initiated in developing economies for workers employed in this sector must be protected and such of those policies to be formulated and implemented by the public authorities.

The concept of informal sector provides a useful theoretical means to understand the social structure of the developing economies. The "Varnacular" activities sector provides the wherewithal of maintenance, reproduction and participation to the poor and unprivileged sections of the society. The nature of this sector explains the marginalisation of a large number of people, who lack "voice" in the management of their societies. Development strategies and policies have to devise means to involve and empower the informals if there has to come about a break from the mirage of "development" pursued so far.
ANNEXURE - 11. INFORMAL ACTIVITIES

Enterprise* Voluntary Natural Economy Supply of labour
(traditional, (Activities for direct exchange)
non-registered, non-profit)
activities)

Regular Casual Own account workers without establishment
Poor or small
entrepreneurs Jointly with formal To informal To formal To informal
sector activities enterprises enterprises

(Illustrative list)

1. Agriculture (Peasant/Family Farming)
2. Petty trade, sale of lottery tickets
3. Small and Cottage Industrial units
4. Small service establishments
5. Real estate
6. Transport, rickshaw owners, single truckers, taxi, hand or bullock-cart operators
7. Recycling of waste and garbage
   (tailors, carpenters, blacksmiths, sweet makers
   and confectioners, goldsmiths, shoe-makers etc)
8. Personal services

(Illustrative list)

1. Repairs, maintenance
2. Recycling of waste and garbage
3. Transport
4. Shoe-shiners, cobblers
5. Hawkers, retailing & manufacturing
6. Newspaper hawking cum retailing
7. Personal services

The informal activities are either legal or extra-legal & generally excludes illegal activities but may be stretched to include some open, widespread illegal activities tolerated by law enforcing agencies, either when they serve dominant interests or when the social, political, economic and human costs of enforcement are very high.

(2) These activities are often found in mixed form, at times with formal activities.

(3) Domestic production, natural economy, small commodity production (petty production), small capitalist production (penny capitalism), extending to primary, secondary as well as tertiary sectors are the main forms of production of the activities covered by the informal sector.

(4) It cannot by its nature advance any claims of being exhaustive.

* Both informal enterprises and labour supply may be by formal enterprises and employees from the formal sector.