CHAPTER II

REVIEW OF LITERATURE, APPROACH, METHODOLOGY AND CONCEPTS
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2.0 REVIEW OF LITERATURE

According to Clifford Greetz, the bazaar economy is made up of large number of small enterprises which are highly competitive among themselves. These economies heavily rely on intensive use of labour, often drawn mainly from the family. They seek to minimise their risks rather than profit maximisation. The bazaar economy is irrational and it has a tendency to use labour more intensively rather than to raise productivity. It is involutlonary in nature as it absorbs extra labour with diminishing per capita productivity. Greetz's point is that the bazaar economy prevents capital accumulation and is not conducive to economic development.

The firm economy is based on rationalisation of production and capital accumulation for further investment. The bazaar economy and the firm economy are antithetical to each other. The expansion of the firm economy gradually displaces the bazaar economy by introducing a cheaper and more convenient product. In this analysis of urban dual economy¹, the stress is placed not on the nature of employment but on the mode of production.

The urban economy is seen as consisting of two juxtaposed systems of production, viz. the capitalist forms of production and the peasant system of production. While the former uses more capital and works for profit, the latter works as the

household economy. The preoccupation of the household economy is not only profit, but most effective use of the labour mainly consisting of its members. The urban peasant economy is a dynamic form of economic activity with a considerable capacity for absorbing labour. It represents the transfer of the peasant mode of production to the cities of the under developed countries. Populations seeking employment opportunities move to the cities to exploit the existing opportunities or set up similar forms of economic organisations which have prevailed long in the countryside. However, in the developing economies, most of the production organisations are not amenable to the classification based on modes of production and most of the producers are not easily classifiable either as capitalists or wage earners.

M. Santos makes a distinction between the Upper circuit, a direct consequence of technological progress represented by monopolies and the Lower circuit, which groups small-scale activities meant almost exclusively for the poor. He describes that the "upper circuit" meets the requirements of the capital intensive production and the "lower circuit" is created by consumption demand. Some aspects of the "lower circuits" complementing the informal sector characteristics as described in the 1972 report are:


(i) Though the technology is labour intensive, indigenous and adopted to local conditions, it often has considerable potential for innovation.

(ii) Activities are based on cash transactions or on direct and personal credit.

(iii) Employment is insecure and not permanent. Number of people employed by each unit is small but as there are numerous such units, the total number of employees is quite substantial.

(iv) Capital accumulation and reinvestment is low. The first and foremost objective is to assure daily subsistence of the unit and if possible to have access to durable consumption goods (Radios, Watch, Cycle etc.)

(v) Numerous middlemen operate between the initial supplier and the final buyer, thereby reducing the profit of the former but enabling many to earn income.

(vi) Exchanges are made in small quantities as inventories are limited and working capital low.

(vii) In most cases the units do not keep regular accounts.

Santos concludes that the "lower circuit" should not be maintained in its present form, though it provides employment and means of subsistence to large majority. Yet, he does not list out the ways and means of transforming the "lower circuit". The classification of "lower and upper circuits" is useful to distinguish two sectors in a particular case and for a particular purpose but did not help to evolve an analytical scheme of classification with general validity.

John Keith Hart in his report on urban employment in Ghana was the first to renew the theory on the economy of developing countries which was characterised by the distinction between a modern sector often a consequence of foreign investment and western technologies and a traditional sector considered as part of the economy which could withstand penetration of western capitalisation. Hart suggests changes in the names of both the sectors. He divided the economy between "formal" and "informal" sectors according to the extent of work rationalisation.

According to Keith Hart, formal income opportunities included public-private sector wages and transfer of payments like pension and unemployment benefits. A variety of income-earning activities of legal and illegal nature were grouped under 'informal sector'. An increasing surplus to the requirements of the urban rural market and inadequate employment opportunities forced the workers into taking up these informal income activities. This section comprised a large proportion of migrants particularly unskilled and illiterates. As these economic activities were not covered by the existing data collection machinery, they belonged to unenumerated sector. Hart questioned the traditional attitude of treating the 'informal sector' as being highly unproductive. Further, he attempted to prove that these informal economic activities possessed some autonomous capacity for generating growth in the income of the poor. Hart

finally described the 'informal sector' as urban proletariat, self-employed individuals, informal income-generating activities, unorganised sector and unenumerated sector. But these alternative titles are not identical in practice.

Although the concept of Keith Hart gained considerable importance in literature, it is argued that the use of formal-informal sector dichotomy is a meaningful and convenient method for analysing the structure of the economies. In less developed countries, slow growth of wage-earning employment has been accompanied by a rapid growth of output, which could be attributed to the existence of large number of small urban establishments. It has been recognised by the development policies to concentrate on the poorest sections viz. the informal sector. Consequently, International Labour Organisation (ILO)/United Nations Development Programme (UNDP) employment mission to Kenya adopted the term informal-formal dichotomy for analysing the employment situation and for drawing out employment strategy plans appropriate to Kenya. In the earlier dichotomy models like "modern-traditional", these are regarded as "non-dynamic" as they make no significant contribution to the provision of goods. But the informal-formal dichotomy would not prejudice the unenumerated small scale sector as non-dynamic. On the other hand, it tries to analyse determinants of demand for labour in the small scale.

urban sector. For this reason, "informal-formal" dichotomy is preferred to other dualistic models.

The International Labour Organisation Mission to Kenya makes a sharp distinction between the informal and formal sectors. The characteristics of the 'informal sector' activities are:

(i) Ease of entry;
(ii) Reliance on locally available resources;
(iii) Small scale operations;
(iv) Family ownership of enterprises;
(v) Adoption of highly labour intensive techniques;
(vi) Acquiring of skills through an on-the-job training;
(vii) Operation in unregulated and competitive markets;
(viii) Establishment and development without State intervention.

The 'formal sector' presents reverse characteristics viz.

(i) Difficulty in entry;
(ii) Reliance on imported raw materials and machinery;
(iii) Large scale of operation;
(iv) Corporate ownership;
(v) Capital intensive nature of production with imported technology;
(vi) Qualifications and skills acquired through vocational training;
(vii) Protected and regulated markets.


The International Labour Organisation report minimises the area of uncertainty in the distinction by focussing on the characteristics of enterprises. It is the enterprises that are classified into formal and informal sectors but not the individuals\textsuperscript{10}.

A different view put forth by John Weeks stressed the factors which were external to the characteristics of the enterprise\textsuperscript{11}. He laid down specific emphasis on the role of the state and based his two sector distinctions on "the organisational characteristics of exchange relationships and the position of economic activity vis-a-vis the state". Weeks claimed that the formal sector's growth was itself fastened 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.

Operations in the "informal-sector" are characterised by an absence of such benefits. Because of its limited access to resources and the freely competitive nature of its products, and factor markets, it is characterised by small scale operations, labour intensive techniques, often low income levels and indigenous ownership.

\textsuperscript{10} Sethuraman, S.V., op.cit., p.71.

\textsuperscript{11} John Weeks, op.cit., pp.2-4.
The significant question was, to identify the structural conditions under which the dynamic change was "involutionary or evolutionary" in nature12. Involutionary development reflected a static or a 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.

Joshi and Joshi distinguish between organised and unorganised sectors on the basis of (i) market structure, technology and (ii) relationship with government13.

(i) The organised sector typically contains large manufacturing firms, operating in oligopolistic markets, sheltered from foreign competition by high tariff and quantitative restrictions, selling their products mainly to middle and upper income groups. A salient feature of the organised sector is its relatively protected workforce. The strong trade unions negotiate on behalf of their members for higher wages. The workers are covered by reasonably effective labour rules. The unorganised sector contains a very large number of small

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producers operating on narrow margins in highly competitive product markets, selling a variety of goods and services mainly to low income groups. They hire workers in a highly competitive casual labour market. It contains a substantial amount of household employment and self-employment. In the unorganised sector, the incomes are not protected, legal regulation of employment and wages is almost non-existent and extremely difficult to enforce.\footnote{Ibid, p.51.}

(ii) There is a sharp contrast in the type of technology used by the firms in the organised and those in the unorganised sector. The former category mainly use capital-intensive imported technology while the latter use mainly labour intensive indigenous technology. The labour productivity is therefore is much higher in the organised sector firms. Hence, the working conditions are routinised and formulated; division of labour prevails highly and more particularly the management is sophisticated with executive level skills and training. In the unorganised sector the situation is much more informal and labour turnover is very high.

(iii) The relative privileged position of the firms in the organised sector arises in large measure from their continuous access and influence over the government machinery and related like bodies. On the contrary the entrepreneurs of the unorganised sector receives little help both in financial and technical matters.
Although the preceding analysis provides a reliable and usable basis for classifying the workers and the labour markets, two basic problems are identified in the classification. Firstly, some of the central variables like size, degree of competition in the product and capital intensity of technology are continuous variables and do not permit a clear discontinuity at the point of division. Secondly, since the attributes of degree of organisation does not enter into the classification, as a basic distinguishing characteristic, designing it as "organised-Unorganised" dichotomy has no special significance\(^{15}\).

The survey carried out in the town of Bonake (Ivory Coast) used the following five criteria to define the traditional sector, viz.

(i) The enterprises employing not more than two workers;

(ii) The receipts of the enterprises do not exceed a specific amount per month;

(iii) The equipment used is rudimentary;

(iv) The labour productivity is low; and

(v) The entrepreneur is not actively receiving more customers.

According to Atreye Mazumdar, any enterprise that satisfies at least two of the above criteria was considered to be the part of the traditional sector\(^{16}\).

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Merrick considered social security contribution as a main factor to distinguish the formal and informal sectors. According to the Bolo Horizonte Survey conducted by him, the "formal sector" includes (a) those contributing to social security institution, (b) the liberal professions, (c) establishments involving more than five workers and (d) all workers within the public sector. The "informal sector" covers (a) all those who do not contribute to social security institutions and (b) the domestic workers.

Souza and Tokman, through their survey in Latin America defined the informal sector as all persons whose income is below a certain minimum level (usually the legal minimum wage). They assumed that the typical low productivity activities of the informal sector also contribute to low incomes.

Harold Lubell consider that the informal sector consists of the residual labour market of the last resort, wherein people enter as self-employed, low-income producers of marginal goods and services for lack of any other means of earnings.

The formal-informal dichotomy according to Mazumdar is explained in terms of "protected" and "unprotected" sectors.

"Protected sector" is the one in which employment is protected for some workers in the sense that the wages and conditions of the workers are protected. This protection may be due to the active involvement and actions of trade unions or the Government by way of legislation relating to the minimum wages, hours of work, employment and security. This kind of protection is not available to a section of the labour force resulting in low and irregular incomes and insecurity of employment and is termed as "unprotected sector". Here, the distinction is within the labour market rather than the enterprises. The trade union activities or State legislation may not however be considered as an important basis for formal-informal distinction. In recent times, the system of employing the unskilled and semi-skilled labour on purely temporary basis by the formal sector is gaining importance. By employing such labour, the formal sector is avoiding the labour laws covering minimum wages, job security and other benefits entitled for them. These workers thus appointed do not come under the purview of the trade unions.

Mazumdar's distinction rests on the idea that employment, wages and working conditions in the formal sector are accessible to job seekers only after successful crossing of a barrier of entry. As a correlative, a substantial proportion of informal sector unit owners, and all their workers earn an income lower than a worker in the organised sector. Holmstrom cites a good example to point out insecurity of employment that hovers on the heads of the formal sector workers.21

Papola\textsuperscript{22} stresses that the distinction based on state recognition and regulation seems more relevant in analysing the dualistic structure of the labour markets. Referring to the Indian context, the distinction between formal and informal sector employment at least in the manufacturing sector according to him can be made on the basis of registration or non-registration of the enterprise under the Factories Act. He views that once the enterprise is registered, the condition of work gets regulated. The condition of work and job security are not formalised in the case of non-factory enterprises.

After looking at the structure of economic activity in the informal sector, Papola concluded that though the informal sector provided "a significant part of 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\textsuperscript{23}. However, he did not look further into whether the linkages between the two sectors are 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 better productivity and earnings.

While distinguishing the large and small scale sectors, Roberts described the large scale sector as firms having financial and professional services, large network of retail and

\textsuperscript{22} Papola, T.S., op.cit., p.11

wholesale establishments, transport facilities connecting the markets and possessing substantial amounts of capital equipment. He differentiated the small scale sector as units attending to craft workshops, repair shops, petty traders, the gamut of self-employed artisans and the activities which are not carried out by the large scale sector. The small scale sector is non-traditional either in the tools and techniques it uses or in its type of activity.**24**.

Informal sector in developing countries comprises the large number of self-employed who are engaged in small scale, labour-intensive work such as tailoring, food preparation, footwear fabrication and repairing, petty trading etc. People engaged in these activities are often regarded as unemployed or under-employed as they can not be included in the collection and enumeration of national employment statistics, although they are highly productive and contribute significantly to the national income. In general, their work is characterised by a low capital output and capital-labour ratios. The informal sector is described here as small-scale and labour-intensive methods of production in the absence of protection and regulation by state.**25**.

In his study on Coimbatore, John Harris attempts to clearly distinguish the enterprises as (1) capitalist production units (the organised sector) and (ii) the petty commodity


producers - the unorganised sector. This distinction is made on the basis of capital-intensity and registration under factory legislation\(^\text{26}\).

The formal-informal differentiation is sometimes used as "enumerated" and "Unenumerated" sectors to analyse the dualistic nature of the economy. Enterprises, firms and establishments which are covered by the statistical surveys belong to enumerated sector and those which are not covered are implicitly included in the unenumerated sector\(^\text{27}\).

According to Elson, the difference between the formal and informal sector lie in the degree of emphasis given to particular factors. For example, the role of technology, institutional intervention viz. unions, labour legislation, market fragmentation like capital and financial markets, consumer goods markets and the supply of characteristics of labour.

However, leaving aside the differences in explanations and evaluations, the basic characterisation of 'formal' and 'informal' employment in most researches especially in Latin America and Asia, has remained remarkably stable over the years.

For the most part, the Paradigm assumes that there is a broad correspondence between scale of production, employment categories and labour markets. Production is polarised between large and small enterprises and whereas employment in the former is mainly based on wage and salaried labour, in the latter it consists of


self-employment, family labour and quasi-wage workers such as apprentices, out workers and unpaid family labour. Within this structure the 'formal' sector is defined as the labour market most associated with large capital-intensive enterprises, where in relative terms workers are highly paid and highly skilled, well protected by the unions and labour legislation and have high job stability and good career prospects. On the other hand, the informal sector is associated with self labour-intensive enterprises and consists of low paid, low skilled, casual workers with few career prospects.

Kalpagam recapitulates that informal sector includes both rural and urban sectors and would encompass the categories of self-employed and wage workers in both manufacturing and services activities that are characterised by ease of entry, reliance on indigenous sources, family ownership of enterprises, small scale operation, labour intensive and adopted technology, skills acquired outside the formal school of system and unregulated and competitive market. Thus it would include workers in household production working directly or under some form of putting out system, small workshops and factories including the informal labour in the formal sector, as well as those engaged in petty occupations and all other forms of casual labour in rural and urban areas.

(ii) SSEs using modern technologies and increasingly linking up with the rest of the economy and large industry in particular.

As described by Teszler, the first two types of micro-enterprises concern producers who may have a set of tools and skills but very little visible 'enterprise' (in contrast to a great deal of entrepreneurship).

Schmitz\(^\text{32}\) quotes that the external relations of micro and small scale enterprises often are serious sources of constraints on growth. External relations include financing systems, relations with raw material and technology suppliers, marketing channels and subcontracting arrangements. From the point of view of micro and small scale producers the extent to which they can influence external relations is very important for the continuous maintenance of production.

A great deal has been written on the external relations of micro and small scale enterprises from the point of view of donor agencies (or countries) who give supply side support to such enterprises. According to Peter Knorringa and Weijland\(^\text{33}\) an industrial network is a group of traders and

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producers, who carry out a complete marketing and production cycle for a particular set of final products designed for a specific market segment. According to Watanabe\textsuperscript{34}, subcontracting is a type of relationship where the contractor places an order with a subcontractor which is then used or sold by the contractor. Such a relationship includes a contract, verbal or written, setting out the specification of the order. The two major types of subcontracting found in manufacturing are commercial subcontracting, in which a completed product is delivered by the subcontractor and sold by the contractor; and industrial subcontracting (in various forms) in which a part of the production process is carried out and used as input by the contractor.

Scott observed that in Lima, self-employed manufacturers found it increasingly difficult to service as independent producers and become outworkers or subcontractors. Subcontracting is commonest in the footwear and clothing industry although it has been found in some other product lines. The existence of this putting out system leads into a chain of subcontracting between out workers\textsuperscript{35}. For example, a cobbler who was making shoes for a small workshop which was itself subcontracted to the multinational firm "BATA".

\textsuperscript{34} Watanabe: quoted by Isa Baud, "Small Scale Manufacturing - Some Evidence from Branch Studies in India and Intervention Programme Analysis", University of Amsterdam, 1989, p.6.

Grown and Sebstad\textsuperscript{36} have indicated important indications in the motivation of producers at changing levels of poverty. For the poorest people, survival is the goal. Since production must meet immediate needs, investment is minimal (or borrowed) and realisations of income is on the shortest term basis possible. An example of such producers are the "Dalia-Walahs" shoe makers in Agra who produce and sell shoes on a daily basis in the local Hing-ki-Mandi market\textsuperscript{37}. They get their raw material on daily credit basis and sell the finished shoes on the same day. In fact this group corresponds to the category of 'dependent' producers in the continuum of casual labour relations depicted by Brumley and Gerry in 1979.

According to Holmstrom, the entrepreneurs/producers working in small scale manufacturing come from different social backgrounds. A first category includes, those with an industrial or financial background. This means that their families are already involved in industrial production and that their initial capital comes from their family and they borrow from government agencies only when their firms have already been set up. A second category includes 'technician entrepreneurs' i.e. people who have spent years working in large factories as skilled workers before


setting up their own business. A third category includes producers who have derived their skills and work on a hereditary basis of family and/or caste background.\[38\]

Difficulties in obtaining raw materials are frequently referred in the literature in small scale industry in India. Problems in access to raw materials as a bottleneck for the growth of small producers are particularly emphasized by Gerry in his work on petty production in Dakar, Senegal.\[39\] He found that in shoe production, the small producers had to switch from the use of leather to synthetic materials, since a multinational shoe company was able to achieve a virtual monopoly in the purchase of finished leather and had received considerable government protection. The main importer of synthetic materials then tried to 'reorganise' the small producers using his own capital and marketing outlets albeit without success.

The obstacles to the financing of small scale producers are well-known. Commercial credit institutions are reluctant to grant loans because they consider the security offered by the small producer is inadequate. Hence the latter resort to other money lenders and pay higher interest rates than large firms. A study on small scale industry in Mexico, for instance, reveals


that these interest rates are between 2 and 8 times to those charged by the official banks and lending institutions (PREALC)\(^{40}\).

2.1 SUMMARY OF LITERATURE

The foregoing discussions of the 'informal sector' clearly show that the principal investigators/researchers of the informal economy offer different frames for critically analysing the informal sector. It is almost difficult and impossible to integrate their conclusions brought out in number of articles into a single concised, scientific, precisely acceptable and workable definition of the informal sector. In general the term informal sector refers to the part of the economy compared of people working in very small businesses lacking formal government recognition, registration and support for their enterprises, have no access to commercial sources of credit, earn low incomes and hence no employment security\(^{41}\).

On the whole, the characteristics used to define or understand the informal sector may be grouped into three of the following categories:

(i) Those related to the characteristics of the enterprise like size, family ownership, source of inputs, and labour intensive technology. In this category, the emphasis is on the context within which people work, the stress being placed on the mode of production.

40. PREALC: Quoted in: "Growth constraints on small scale manufacturing in developing countries - A critical review", by Hubert Schmitz, op.cit., p.441.

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 recognition from the government, lack of organisation and unregistered nature of enterprises.

Those based on employment situation are labour market processes like ease of entry, self-employed or casual nature of work and lack of formal contractual arrangement for employment. Many of the studies in India have used some of these criteria for empirical delineations of the two sectors.

In the absence of a single definition that precisely identifies the informal sector based on a number of variables either derived on "a priority basis" or from empirical studies, several urban economies of developing countries were pointed out to identify the informal sector. Size of the enterprise, level of employment in the enterprise, mode of production, market practices, forward and backward linkages of production are the main variables used by the empirical researchers. Accordingly, low levels of investment and technology, high labour intensity, high rate of household labour participation, low productivity, low income levels and insecurity of employment are the important features of the informal sector.

The scope of the informal sector is an all inclusive concept. All those economic activities which do not belong to the formal sector are dumped into the informal sector. It encompasses

a multitude of heterogeneous urban economic activities. Small enterprises, petty trading, household based enterprises, domestic out workers and their services, temporary and casual employment, all kinds of inferior self-employment, receivers of job work/orders, etc. constitute the informal sector of a typical economy in a developing country.

The economic activities included in the informal sector are neither exhaustive nor precise. However, since an analytical framework is needed to study the dynamics of the informal sector, it is assumed that this sector broadly comprises these components of the economy.
A REVIEW OF THE STUDIES ON DIFFERENT ASPECTS OF THE INFORMAL SECTOR

A series of studies at the country and city levels were undertaken mainly to understand the dynamics of the informal sector. These research works were conducted under the World Employment Programme of the International Labour Organisation (ILO) by National Governments, individuals and Private Institutions. Different criteria were adopted to identify the informal sector. The profession has as yet neither evolved a suitable methodology nor done enough empirical work to generate a set of well-organised hypotheses to guide purposeful research effort in this rapidly growing and ubiquitous sector of developing countries. Yet, the researchers arrived at certain conclusions relating to some important aspects of the informal sector such as its size, levels of investment, productivity and earnings, linkages between the informal and formal sectors and policy measures were suggested for its development. It is difficult to bring out the findings of individual studies comprehensively. Thus, an attempt is made subsequently to review some selected aspects that are regarded as important to this study.

Research efforts in the past in urban employment focused mostly on organised sector with emphasis on industrial employment. However, the failure of organised sector to absorb the labour supply, large scale unemployment has not been rampant in the metropolitan centres as would be predicted by competitive

models. The so called surplus labour unable to secure entry in the formal sector was generally found to be absorbed by the rest of the urban economy which has been loosely termed as the 'informal sector'. It is only in the recent years that this has become a focus of research in the area of urban labour market. The informal sector has its theoretical basis in dualistic concepts and has been used as a policy tool by ILO's target group approach. The increase in research focussing on urban informal sector in developing countries has led to vagueness and inconsistency of definition. The term has been used alternatively to refer to the enterprises and their characteristics and being used as synonyms with the urban poor. Many of the studies in India have used various criteria for empirical delineations of the dual sectors. The table in Annexure 2.1 illustrates a variety of estimates, criteria used and the relevant data base. The conceptual developments traced above, have also reflected in different policy implications and emphasise on the informal sector that has a positive influence in shifting research emphasis to the whole complex activities through which a large urban population derives its daily bread. Most of these studies emphasised the non-exclusiveness of the informal sector from the rest of the economy and considered the nature and types of


The informal sector employment was over 60 percent in Kolkata and employment ranges from 19 to 70 percent. It was estimated that the urban areas, the size of the informal sector in terms of unskilled jobs from the total economically active population in the informal sector is lacking. Hence, it is calculated as a basis for estimating the size of the informal sector which can serve as a basis for identifying the size of the labour market. A definite set of criteria devoid of serious imbalances that are operating in reality, the relevant policy issues and research questions and reporting them to policy makers are a project and strategy, "Informal Sector Entrepreneurs in Pushpabah Singh House, 1995.


45. pp 337-12.

Coimbatore, 61, per cent in Madras, 95 per cent in Calcutta, around 5 per cent in Kolkata and 40 per cent in Bangalore, 60 per cent in Bombay, 47 per cent in Ahmedabad, 47 per cent in Calcutta, 50 per cent in Jakarta, 19 per cent in Madras. The size of the urban areas, the size of the informal sector in terms of unskilled jobs from the total economically active population in the informal sector is lacking. Hence, it is calculated as a basis for identifying the size of the informal sector which can serve as a basis for identifying the size of the labour market. A definite set of criteria devoid of serious imbalances that are operating in reality, the relevant policy.
The development doctrine tends to view the informal sector as transitory and postulates its disappearance with the emergence and growth of large formalised organisations as a necessary concomitant of technological and market competition associated with development. But, investigations show that the informal sector is growing as a 'parallel entity' to the formal sector in the cities of the developing economies. Employment in the informal sector has been growing both absolutely and relatively. The failure of the formal sector to create adequate employment opportunities has forced the workers to seek informal means of earning incomes.

As regards its composition, informal sector activities are beyond any identification. The informal sector provides employment for high proportion of workers in almost every branch of economic activity. Every kind of economic activity that produces income is conceived of in the informal sector. Within the informal sector, trade and commerce constitute the largest category. Manufacturing, transport and services form the other important branches. Agriculture and allied activities and construction are among the less important categories. The size of the units in this sector is diverse and range from a one-man business of street vendors to relatively large firms like recycling factories.

55. Ibid.
Surveys reviewed earlier highlighted the fact that informal sector enterprises supply certain consumer goods in the urban economy. This sector mostly serves the urban poor by providing goods and services produced at lower cost than the larger business enterprises. The greater number of the informal sector enterprises produce goods for a local clientele.

The informal firms possess low fixed capital and working capital. The entrepreneurs started their enterprises with the aid of family capital or investing their savings from a previous job. Some enterprises secured capital from their close relatives. Capital intensity among the various informal sector activities varied widely. Personal and repair services possessed comparatively lower capital, recycling, small manufacturing required larger capital. The activities performed by own-account workers without hired labour invested less capital than those who employed workers.

The informal sector producers used borrowed capital in addition to their own capital. They have often to rely on money lenders who charge very high interest rates, perhaps partly to cover their high risks of default. The interest charged by the money lenders was considerably high. Sometimes, the rate was about four times higher than that charged by the organised institutional sector. The formal financial institutions like banks played a negligible role in providing finance to these enterprises. This may be attributed to the difficulty to secure institutional finance due to cumbersome procedures involved. The size of these units and the nature of economic activity carried on by them, may be another important reason for this. Since they
are smaller in size, these units may be needing only small doses of capital for which they can depend on the money lenders. The urge to expand the enterprises was not found universal. Many of these who were not planning to expand give financial and market constraints as the principal reasons for their decision.

The informal sector units largely used capital-saving, labour-intensive techniques to produce goods and services. Labour input needed by the informal sector enterprises was supplied predominantly by the relatives of the owner. Most of the workers in the informal sector were less educated. Few of the workers in this sector had regular formal training, while most of them received training on the job. These units, in general, used machinery produced locally. They used raw materials which were inferior in quality or recuperated and recycled. They bought raw materials from local suppliers at higher rates. In some studies, it was found that they purchased raw materials from the larger firms and sold their goods in turn to those companies themselves.\(^5^6\)

Most of the studies show that low productivity is the characteristic of the informal sector firms. It consists of marginally productive activities.\(^5^7\) Low productivity is the result of low levels of investment and technology and larger labour input. There were also some economically efficient occupations such as repairing, construction, collecting and recycling. Besides certain activities which were carried on with

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informal sector but not specific to it, for example, automobile repair, construction were concurrently undertaken in formal sector also\textsuperscript{58}.

Income levels in the informal sector received greater attention in all the surveys. There was a continuum of wage rates from one end of the spectrum to the other. Wage rates not only varied between formal and informal sectors but also within the informal sector and even in the case of the labour of comparable quality with similar work responsibility\textsuperscript{59}. It is noticeable that earnings were relatively lower in many occupations in the informal sector. Incomes from domestic services were considerably lower. Occupations requiring a certain amount of skill like those of watch repairs, carpenters, automobile mechanics, having a higher scarcity value than others had more potential for earnings. Gross earnings of the informal sector entrepreneurs were around four times the monthly earnings of tradesmen to whom they were considered comparable. These tradesmen, in turn, earned about 50 per cent more than the prevailing minimum wages. In certain cases, the incomes in the informal sector were higher than the per capita national product. In most cases, the salaried employees in the informal sector earned more than the casual workers. Much of the differential between formal and informal earnings could be explained by age, sex and educational characteristics of workers in these two sectors. Controlling for these variables, differences of upto 65 per cent could be found

\textsuperscript{58} Atreye Mazumdar, Op. Cit. p.3.

in the earning differentials between formal and informal sectors. Informal sector workers, by working large hours or by higher labour force participation rates were able to make for the differences in experience, education and wage differential between these two sectors. It should be noted that by no means all the employees in the formal enterprises received more than the urban informal sector workers. Many people combined informal sector activities with wage employment so as to increase their incomes. However, in the case of small independent workers, their activities did not generate an income which was adequate for their livelihood. Most of the casual workers earned income that was below the legal minimum wage. It was found that with the proliferation of small operatives as a result of free entry and low investment to set up the enterprises, returns to the individuals were less than for an equivalent time spent in the formal wage employment at the minimum wages. It was also recognised that the opportunity cost of labour in the informal sector was low and justified the argument that most traders were underemployed. Differentials in earnings of men and women were also found in the informal sector. Women workers paid less than men. The surveys reported that migrants entered the urban labour market at a variety of wage rates above and below minimum. The labour circulants - those who move around in search of employment have the families in their countryside and work for wages just


61. Ibid.


57
enough to cover their immediate daily needs rather than for a daily wage.

Workers in the informal sector do not have workers' organisations. Even if they exist, they are weak and ineffective in protecting the employment of the workers either by raising their wages or improving the working conditions. It could be considered as the most important reason for the earning differentials between the two sectors.

Working conditions in the informal sector compare highly unfavourable with those in the modern sector establishments. The legislative and organisational protection is generally not available to them for amelioration of their conditions. Workers in the artisan business, hotels, trades, shops have the advantage of more continuous employment, while casual workers have irregular work. Casual workers try to diminish the insecurity of their employment by establishing dependency relations with employers in the informal sector and labour contractors. It was also found that the labourers sold their labour on credit showing the degree of insecurity of casual workers. In most cases, the working time was longer than the statutory hours and wages paid were lower.

Labour mobility is an important variable that affects productivity and earnings in the informal sector. The informal sector is marked by significant labour mobility. The labour mobility seems to be largely confined to the informal sector


rather than being towards the formal sector occupations. Lack of appropriate skills among the workers and barriers to skill formation have acted as hindrance to labour mobility towards the formal sector. Labour mobility is the highest in the construction activity. Temporary and casual employment and low wages would discourage the attachment of workers to an individual firm. With regard to domestic servants, practically there is no mobility.

Most of the enterprises in the informal sector do not have proper space for carrying on their business. Smaller enterprises and one-man firms sell their goods on the pavements and roads in front of organised markets. Most of these enterprises do not possess a permanent structure.

The policy of Government towards the informal sector was subject to severe criticism in most of the surveys. Most studies point out that the informal sector is often ignored and in some respects harassed by the authorities. Legal regulation of employment and wages is almost non-existent and extremely difficult to enforce where it is applicable. Its possibilities for the access to official assistance is much limited.

Recruitment methods adopted by the informal sector were also considered by these surveys. The enterprises recruited labour from the relatives. Workers were mostly recruited by means of personal contacts. Employment exchanges played negligible part in the selection of workers in the informal sector.

Most of the studies revealed the important part played by the migrants in the informal sector. Migrants formed upto 80%

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percent of the workers in the informal sector. The origin of the informal sector is attributed to a massive out-flow of surplus labour from the countryside and inability of the industrial sector to absorb this surplus labour\textsuperscript{66}. Relatives and friends were important in providing information about jobs and in securing jobs in the informal sector. Relatively a few migrants came to the city with jobs fixed either by relatives or friends; others came to the city in search of employment and secured jobs after some period of time. Some migrants started as self-employed immediately after their arrival. Many of the independent workers had worked for some duration of time before they set up their own establishments. Males constituted a relatively larger proportion of the total migrants.

Migrants, though more educated than the neighbours, were left behind the less educated life long city dwellers\textsuperscript{67}. Migrants were much more likely to be poor and underemployed than the natives of the cities they had come to. But the minimum standards of the urban living enjoyed by these migrants was considerably higher than the standard of living they had in rural areas. It was also found that the migrants engaged in the informal sector were younger.

Social relations played a dominant role in the process of migration and securing of jobs. Particularistic tendencies like caste, religion, or region helped the migrants in search of

\textsuperscript{66} John Breman, Op. Cit.

employment in the urban labour market. There was certain
degree of correlation between well paid, highly esteemed and
qualified work and membership of high caste on the one hand and
poorly paid, low prestige, unskilled work with membership of a
low caste on the other. Even in self-employment, ethnic
relations counted in making it easy to set up a petty trade and
in acting as informal rings in inhibiting entry of others into
those commodity trades. Employers also relied on various proxy
indicators like place of origin, ethnic, kinship, caste
affiliation in recruitment of the workers.

Both formal and informal sectors are the parts of the
same urban labour market. Hence, their interrelationships are of
paramount importance in the labour market. They possess both
competitive and complementarity relationship. There are
significant linkages between these two sectors. Informal sector
units have forward linkages mainly with individuals, households
and with other informal sector enterprises. Forward linkages with
the formal sector are weak because of the pattern of goods and
services and the inability of the informal sector enterprises to
reach formal sector customers or to turnout high quality goods.
On the other hand, the backward linkages with formal sector are
stronger. But such backward linkages resulted in the exploitation
of the informal sector units by the formal sector units. It was

    of Peasant Studies, 1977, Vol.3, No.3 & 4, p.79.
70. Sethuraman, S.V., "The Urban Informal Sector in Africa", ILR,
found that small firms wholly depended for their raw material inputs upon oligopolistic suppliers. They maintained sub-contracting relation with larger firms in the informal sector. Though such linkages enabled them to use more efficiently the available capital and other resources, they were pushed into conditions of exploitation by the larger firms. Smallness of scale or inefficient management is not the principal cause of poverty of the informal sector units but rather the appropriation of surplus by the formal sector. These studies concluded that despite the relative exploitation between formal and informal sectors. The latter could exist only when they could get the opportunity of offering themselves to be exploited by larger firms.\footnote{John Breman, E.P.W., 1976, No.27, p.1874.}

In their study of small scale industry in 12 countries, Liedholm and Mead used employment as a criterion and classified the enterprises with less than fifty workers as small scale. At the lowest end of the size scale, a further category of micro enterprises is often distinguished. In India this category is called 'tiny' enterprises which have less than Rs.1.00 lakh invested capital \textit{(upper limits raised frequently)}. Employment limits range from number of hired workers to 10 workers. Alternatively, this type of enterprise is called 'cottage industry' or 'handicrafts' or 'household' industry.\footnote{Liedholm and Mead, Op. Cit., p.3.}

The entrepreneurs/producers working in the small scale manufacturing come from different social backgrounds. A first category includes those with an industrial or financial
background. A second category includes 'technician entrepreneurs' and a third category includes producers who have derived their skill and work on a hereditary basis of family and/or caste background.

Harris\textsuperscript{73} finds that the registered workshops are owned mainly by those with managerial or professional or business background. Workshops which are not registered are more likely owned by workers or artisans. Individual producers have either a hereditary background in the type of production they carry out or have moved from agricultural background into manufacturing. Their access to financial resources and raw materials on credit basis is usually very uncertain. Similar situation is confirmed in Baud's study, where producers in the powerloom industry (workshop level) came from both skilled factory workers and agricultural background and handloom producers from hereditary type of production. According to Baud\textsuperscript{74}, in the household based production, boys are given training in the primary skilled function whereas girls in the preparatory function. In the case of individual producers, the skills are passed from one generation to the next, among persons of the same sex by job training.

Generally, three systems of organising the production process are recognised; piece system, bond system and


assembly/group system. Under piece system, the entire product is made by one person; under the bond system each workers carries out one operation serially so that the product takes the final shape; in the assembly/group system, group of workers work in parts and they are grouped together. In small scale production, where men and women work, there is usually a clear gender difference in the type of jobs carried out. Men tend to carry out the 'main skilled operations' and women and children the preparatory and finishing operations.

The sectoral study carried out in West Java reveals that the dynamics of the Ciomas footwear industry are marked by sub-contracting relations between the workshops and the wholesale dealers. Besides this, similar contracting relations are found between small and larger workshops and between workshops and large factories. The relations among producers are characterised by the job work practices.

Footwear production in Ciomas generally involves workshop owners and their family members besides engaging hired workers on piece rate basis. The partial specialisation in the footwear production in the workshop comprise three operations viz. pattern marking, upper preparation and sole cutting and finishing, which are attended on division of labour basis. The production work pertaining to all these operations are not only being done in the workshop but also given out for job work and paid in the units for 20 pairs. Boys around 10 to 12 years of age.

are being used as apprentices and paid very low wage rates. With regard to external relations and marketing, the entire production of these units is based on commercial sub-contracting. In the sub-contract relations, the principal wholesale traders like P.T., Bata and small scale footwear business houses place the orders to the production units.

The case study on small scale footwear industries in CIBADUTUT of West Java highlights that the producers can be distinguished as follows76.

i) Large workshops employing wage workers (> 15)
ii) Small workshops employing wage workers (<15)
iii) A small number of surviving artisanal producers.
iv) Wage workers in the workshops
v) Large number of job workers working at home on piece rate basis.
vi) Apprentices attached to workers
vii) Unpaid and paid family helpers

The study observes that the industry in this town has witnessed a transformation of individual and household self-employed producers, employing unpaid family labour into small workshops employing wage labours. On the other hand many more former artisan producers have been transformed into job (putting out) workers. It has been reported that the traditional household enterprises are the targets of the small scale industry intervention. These enterprises work on sub-contracting basis and make no decisions on designs, raw materials, marketing and such other related issues.

76. Ibid.
The piece rate payments followed tend to lead to long working hours. Hired workers in workshops work 9-10 hours a day and home-based job workers 12 hours a day. An interesting finding is that the labour earnings in the traditional small-scale informal sector is more than those in the modern footwear industry.

A case study among the small scale leather shoe manufacturing in Agra conducted by Waardenburg mainly deals with the problems of small scale shoe manufacturers in Agra taking into account the differentiation of production units according to marketing channels and size of production. The study critically analyses the survival prospects or 'efficiency' of different units, their employment effects, their functional in relation to poverty situations, the impact of government measures on them and finally their social and human dimension. While analysing these aspects, a sample of 88 production units were drawn from eight groups of units viz. exporters via. State Trading Corporation of India (STC), units supplying to Directorate General of Supplies and Disposals (DGSD), units working on contract with Bata, Carona, Swastic, Flex, those supplying to Uttar Pradesh State Leather Development and Marketing Corporation (UPSLDMC now called LAMCO), Bharatiya Charmodyog Sangh (BCS), enterprises supplying to wholesale dealers and those not counted by any of the organisations.

The general impressions brought out by this study are:

1. The small local suppliers to the wholesale dealers constitute an exceptionally labour intensive category, the exporting units through STC and the units supplying to Bata, Carona and those supplying to state marketing outlets are exceptionally capital intensive. The categories of units supplying to wholesale dealers mainly catering to the domestic market have high employment capital ratio compared to the exporting units and subcontracting units of Bata and Carona.

The social transformation attributed by the study reveals that the schedule caste cobblers community 'Jatavs' tend to send their children for some education at the same time dissociating them from the traditional occupation of shoe making. On the other hand, people from other social groups move into the shoe making occupations not only in the managing and trading jobs but also in actual manufacturing and do not conceive of themselves as labour. However, the problems with labour are to be found in the units supplying to Bata and to the outside suppliers as the employees have become more independent in a situation similar to emerging capitalism. Finally, the workers in the export category units hardly create problems as they are an envied labour elite with stable employment with relatively higher wages.

2.3 WHY THIS STUDY

During the last four decades, the Indian leather footwear industry had undergone remarkable structural changes. Bulk of the production activity had been shifted from the rural to urban centres due to migration of artisans from countryside to
urban areas in search of employment. Several new units sprung up in urban centres for the fabrication of open type footwear, full shoes and footwear components for exports resulting in opening up of new avenues of employment to the younger generation. The individual cobblers mustering the support of their family members had also set up numerous household units in several urban peripheral areas both to meet the domestic demand for footwear and also to supply to the export agencies.

With the influx of leather and non-leather footwear (rubber, plastic and PVC) of the factory sector, the consumption pattern among the rural population has undergone in its favour. Footwear in different styles, fashions and designs as made available by the urban units are fast becoming popular in the rural markets too as they would meet the tastes and needs of different income groups of gents and ladies. The full-fledged sales outlets stocked with large variety of products in different price ranges coupled with the marketing efficiency, quality standards, continuity of supply have promoted their sales. In contrast to this position, the traditional artisan although possesses rich skills can produce only a very few types of footwear which are acceptable only to a small segment of rural population. Neither he could produce footwear with different types of materials nor he could innovate designs to meet the changing consumers' taste. To maintain a full-fledged footwear shop neither the artisan has financial resources nor his production level permit him to stock and sell to all income groups in different designs, prices, styles, age and sex-wise clientele.
It appears that 58% of the consumers are looking for low/medium price footwear and as such the country has better scope in this segment of market, provided sufficient comfort, adequate quality and proper delivery schedules are maintained. The Tejomals, one of the leading exporters and an export awardee since 3 years, operate their business in Agra by placing commercial sub-contracting to 27 to 30 workshops towards production of knitted Ladies Bellarinas (Ladies fashion footwear). Introduction of these types of designs not only create local and international demand but also generate employment in knitting work to domestic outworkers.

During the same period, non-leather materials had also been extensively introduced into footwear production to supplement/minimise/substitute (to some extent) the use of leather, which is costlier. Similarly, the demand for the consumption of various grindaries had tremendously gone up.

Inspite of its multilateral growth and of national importance, the industry suffers woefully from the non-availability of authentic and comprehensive information and database on various facets of production, inputs and on their sources of supply (with the exception of export data). Reliable information is not available in general and more particularly on the status of the decentralised and small scale sectors or on their problems and prospects, extent of complementarity/competition from non-leather footwear (sectorwise). For planning and formulating short term and long term development programmes/strategies towards export promotion, building up of technical skills and estimation of investment
requirements, it has been well recognised by the industry, trade and government agencies, that reliable information and data base on different production aspects of footwear is essential and this study is proposed to cover in detail all the aspects relating to the informal sector of the leather footwear industry.

In spite of the structural, organisational and technological developments coupled with favourable government policies towards the export oriented footwear industry, the home-based footwear concentrated production centres located in different urban areas withstood the competition from the mechanised units on account of their strong traditional skills supported by the vast domestic market. Some of the units in this informal sector also contribute to the export of footwear directly or indirectly in a sizeable way. Hence, it was felt necessary to have an intensive and indepth study of these centres. Due to paucity of time, resources and financial constraints involved, three clusters each possessing special importance in relation to the leather footwear industry have been chosen for the field survey and intensive analysis.

2.4 SELECTION OF THE THREE CENTRES OF THIS STUDY

Athani, a Taluk Headquarters in Belgaum District of Karnataka State, has been selected as one of the centres for field work. This centre has significance for traditional workmanship and involvement of all family members in the production of all leather Kolhapuri chappals wherein all the operations are made by hand except using sewing machine. The industry in Athani is purely concentrated among the traditional Samagar (Scheduled Caste) community people. The recent
developments of mechanisation in leather footwear production in other parts of the country has no impact on these units.

Agra has been chosen as one of the centres because of the largest variation between shoe producers of different types and traders compared to other centres in India. Moreover, Agra is unique having skills in the production of shoes that are marketed all over India and for export. The recent technological developments are being transformed in the production of shoes and shoe uppers in different types of production units in Agra.

Madras has been selected as the third centre because it represents two distinct features - viz. the factory sector meant for export of footwear and footwear components and the household units having traditional skills in the fabrication of mixed leather footwear for the unorganised local market of Madras city.

2.5 SAMPLING DESIGN

Some studies were undertaken by individual researchers in India and abroad on different aspects of the informal sector of the footwear industry such as forms of ownership, migration of labour, education, experience, working and living conditions of the workers. All these studies were centered around a city/town/cluster of a specific area of operation. The production and marketing of footwear which is a basic necessity after food, clothing and shelter has undergone drastic changes such as:

i) Out-dated footwear produced by rural artisans was replaced by the light, fashionable footwear made in urban clusters.

ii) Large scale migration of rural artisans has taken place to urban centres and
financial and marketing assistance are being provided by the developmental organisations to the footwear units.

As a result of these developments, the estimated domestic production of leather footwear was 407 million pairs in 1991-92 and it is expected to reach a target of 456 million pairs by 1994-95. In addition to the leather footwear, the non-leather footwear made out of rubber, plastic and resin is also expected to grow as prime substitutes in view of their cost advantages. In the export front, during the year 1991-92 India has exported Rs.11,252 Millions worth of leather footwear and footwear components. Out of this, the share of leather footwear constitute 38% and the remaining 62% by footwear components. Out of the leather footwear exports of Rs.4,254 millions, the export of leather footwear (closed/open type) represent 67%, part leather footwear 22% and the remaining by leather shoes, Kolhapuries and embroidered footwear. It is interesting to note that Rs.203 millions worth of all leather Kolhapuries and embroidered footwear exported from India were produced exclusively in the informal sector of the footwear industry. Further, the household units and the small workshops of the informal sector located in Agra, Kanpur, Bombay and Delhi also contributed to a sizeable extent to the export trade by undertaking job work/subcontracts from the formal sector and merchant exporters. It is estimated that 84% of the leather footwear/shoes produced in the country is from informal sector and semi-mechanised small scale units and the remaining 16% from the formal sector. India having strong raw material base, highly
skilled and low cost workforce in abundance, has a definite advantage in achieving the targets set by the policy makers.

Inspite of its multilateral growth and national importance, the informal sector of the footwear industry, suffers from lack of scientific and comprehensive studies on various facets of production, marketing, employment, problems in procurement of raw materials etc. For critical analysis of these aspects, three centres viz. Athani (Karnataka State) specialised in the production of all leather Kolhapuri chappals, Agra, a major shoe production centre in Asia and Madras a centre for production of mixed leather chappals have been chosen for the extensive field work.

During the field survey (1991-92), all the footwear production units in Athani town were enumerated and classified them into household units and workshops. Out of the 246 household units a sample of 35 units (14%) and out of 22 workshops engaging family labour and hired workers of less than 10 members 15 units were chosen at random by referring random number tables.

In Agra, as the industry is concentrated in more than 35 mohallas (localities), it was very difficult to have complete enumeration. Hence, out of all these Mohallas, one cluster viz. Shaganj having representation of all types of production units had been chosen and all the household units and workshops engaging less than 10 workers were completely enumerated. 35 out of the 124 household units, representing 28%, and 15 workshops out of the 33 were selected at random for intensive survey in Agra.
In Guruswamy Nagar and Kasimedu clusters of North Madras, a sample of 35 household units, representing 20% of the 172 units and 15 workshops, involving family labour as well as hired labour of less than 10 workers were chosen out of 56 enumerated workshops by the method of simple random sampling. Complete enumeration was carried out due to non-availability and absence of the list of household units/workshops with any of the organisations connected with this industry.

2.6 OBJECTIVES OF THE STUDY

1) To study the present status of the informal sector of footwear industry.

2) To examine the production pattern of different types of footwear made in the informal sector.

3) To identify the problems in acquiring the raw materials.

4) To arrive at the cost of production of different types of footwear in the informal sector.

5) To study the nature of employment, labour involvement and wage practices in this sector.

6) To examine the role of middlemen, marketing practices and price mark-ups in the market chain, and

7) To review the extent of institutional support rendered for the development of this industry.

2.7 HYPOTHESIS

The following hypothesis were formed to test in the study:

1) The footwear produced in the informal sector is not significantly contributing to the domestic consumption and exports.
There is no significant change in the production practices and materials used in the informal sector of the footwear units.

There is no significant difference in the wages earned by the footwear artisans of informal sector in different centres.

The practice of division of labour/assembly line of production is insignificant among the workers in the informal sector.

Exploitation of middlemen in the market chain has no significant role in marketing the footwear of the informal sector.

2.8 DATA BASE

The census reports, the records of Charmalaya, KVIC, Athani and Bharatiya Charmodyog Sangh of Khadi and Village Industries Commission, Agra, the regionwise leather footwear survey reports of Small Industries Service Institutes, the techno-economic survey reports of the Central Leather Research Institute, Madras, the data available with the State Leather Development Corporations of Tamilnadu, Karnataka and Uttar Pradesh, the reports of the Council for Leather Exports, Madras, the publications on footwear manufacture by International Labour Organisation, United Nations Industrial Development Organisation, the World Statistical Compendium of Food and Agricultural Organisation and the articles published in various leather journals were referred for secondary data. The primary data has been collected through a well designed schedule for the reference year 1991-92 (March 1991 to February 1992).
2.9 TOOLS OF ANALYSIS

The primary data collected through well structured questionnaires (Appendix III) were subjected to statistical analysis, using statistical tools like measures of central tendency, measures of dispersion, correlation coefficients, ratios, and tests of significance. To illustrate the facts, pie diagrams, histograms and graphs were sparingly used. Relevant formulae used in testing the hypothesis are given in Appendix I.

2.10 LIMITATIONS OF THIS STUDY

Although leather and non-leather footwear are produced in India, the consumers prefer mostly leather footwear because of its properties in absorbing sweat, reducing the heat, permeability, softness, durability and natural skin feeling. The study confines exclusively for the leather and mixed leather footwear producing units of the informal sector. However, as and when required the relevant formal sector information has also been referred to make the analysis more realistic.

2.11 DESIGN OF THE THESIS

The thesis consists of eight chapters:

CHAPTER I - SIGNIFICANCE OF INFORMAL SECTOR IN A DEVELOPING ECONOMY

In this chapter, an attempt is made to bring out the significance of informal sector in generating employment, income and economic development with reference to India.

CHAPTER II - REVIEW OF LITERATURE, APPROACH, METHODOLOGY & CONCEPTS

Specific studies sponsored and carried out by ILO, and research projects and case studies of individual researchers and teams are reviewed in this chapter, highlighting the merits and
demerits of each study. Brief outline of research problem, objectives and hypothesis, sampling design, approach, coverage, data base, reference period and design of the thesis are also presented. The concepts and definitions used in the study have been given in Appendix II.

CHAPTER III - REVIEW OF TRENDS AND DEVELOPMENT OF LEATHER FOOTWEAR INDUSTRY IN INDIA

This Chapter covers an intensive review of trends in the development of leather footwear industry in India in providing employment, contributing for exports and meeting domestic consumption needs. It also analysed the growth of three leather footwear centres viz. Athani, Agra and Madras selected for the field study.

CHAPTER IV - EMPLOYMENT PATTERN IN THE INFORMAL SECTOR OF FOOTWEAR INDUSTRY

Nature of employment, skills formation of the workers, migration, genderwise operations, wage levels, piece rate system of production, job work undertaking, production based on division of labour are dealt in this chapter.

CHAPTER V - PRODUCTION OF FOOTWEAR IN INFORMAL SECTOR OF ATHANI,agra AND MADRAS

Various types of footwear made and reasons thereof, seasonal variations, change in designs, use of materials, improvement in tools and equipments, raw material procurement, undertaking and providing of job work, cost of production of various items of footwear, labour productivity are presented in this chapter.
CHAPTER VI - MARKETING OF FOOTWEAR IN AHTANI, AGRA AND MADRAS

Role of middlemen involved, price mark up in the market chain, marketing costs, evils of advances, mode of payments, problems of credit sales, demand for different items of footwear, institutional support and marketing assistance to the informal sector units are brought out in this chapter.

CHAPTER VII - DEVELOPMENT INSTITUTIONS AND FOOTWEAR INDUSTRY

This chapter analyses the role of developmental institutions like Khadi and Village Industries Commission (KVIC), Khadi and Village Industries Board (KVIB), Tamilnadu Leather Development Corporation (TALCO), Leather Industries Development Corporation of Karnataka (LIDKAR), Uttar Pradesh State Leather Development and Marketing Corporation (UPSLDMC now called LAMCO), State Trading Corporation of India (STC), Council for Leather Exports (CLE), Bharat Leather Corporation (BLC), Central Footwear Training Centres (CFTCs), Prototype Development and Training Centre (PDTC), Central Leather Research Institute (CLRI), Footwear Design Development Institute (FDDI) in the development of leather footwear industry in India. It also covers the various programmes aimed for the rapid development of this industry.

CHAPTER VIII - SUMMARY AND FINDINGS

In the final chapter, a summary of the findings of the study and the conclusions drawn are presented. In this Chapter the policy implications are also examined. On the basis of empirical results, a strategy for the development of footwear production has been evolved in this study.
## Annexure - 2 I

### Estimates of the Size of the Urban Informal Sector

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Author</th>
<th>Study Area</th>
<th>Total Population (Year)</th>
<th>Employment as a percentage of Total Employment</th>
<th>Criteria Used</th>
<th>Data Base</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1981: 4,152,000</td>
<td>47.7%</td>
<td>---Same as above---</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Deshpande (1976)</td>
<td>Greater Bombay</td>
<td>1981: 4,152,000</td>
<td>51.3%</td>
<td>For manufacturing all non-registered units incl. non-household &amp; household units (with less than 20 persons) &amp; excl. registered census and sample sector units; For non-manufacturing all units employing 4 or less workers, incl. independent workers.</td>
<td>Census of India, 1971 Part III-E Establishment Census, tables W B.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1971: 5,871,000</td>
<td>58.4%</td>
<td>---Same as above without corrections---</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Bose (1978a)</td>
<td>Calcutta city</td>
<td>1981: 3,148,746</td>
<td>28.3%</td>
<td>---Same as above with corrections---</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Papolia (1976)</td>
<td>Ahmedabad</td>
<td>1971: 16,09,185</td>
<td>48.5%</td>
<td>Workers in units with 10 or less workers &amp; all unattached workers.</td>
<td>Census of India, 1971 Part III-E Establishment, Tables, Gujarat</td>
</tr>
<tr>
<td>5</td>
<td>Bresan (1977)</td>
<td>Valsad Dist Gujarat</td>
<td>1980: 22,59,408</td>
<td>81.4%</td>
<td>Informal non-organised for the entire district incl. seasonal migrants</td>
<td>Census of India, 1971, Part III-E Establishment, Gujarat</td>
</tr>
<tr>
<td>7</td>
<td>NGO (1976)</td>
<td>Madras Metropolitan area</td>
<td>1981: 25,00,000</td>
<td>50 to 70%</td>
<td>Workers in all establishments employing 10 or less workers &amp; unattached workers.</td>
<td>Census of India, 1971, Part III-E Establishment, Tamil Nadu.</td>
</tr>
</tbody>
</table>

**Sources:**
1. Joshi & Joshi (1976), Table III I, pp 48 Er.  
2. Deshpande (1976), Table II, 15, p 86.  
4. Papolia (1976), Table I I, p 12.  