CHAPTER III

ROLE OF URBAN INFORMAL SECTOR IN DEVELOPING ECONOMIES
INTRODUCTION

The urban economy, especially in the developing countries, consists of a dualistic structure of economic activities with the prevalence of two sectors, the organised and the unorganised. The conventional method of analysing the urban economy on the basis of activity sectors or main industrial categories does usually, bring out the characteristics of this dualism. The organised and unorganised sectors exhibit different characteristics in matters relating to organisation, technologies, labour markets, assets, turnover, structure and productivity etc. An indepth empirical study of this dualistic structure is required to throw light on the different characteristics of the two sectors, and help to answer questions relating to urban development policy.

There has been a very rapid growth of urban economy in India during the last two decades due to urbanisation, industrialisation, modernisation and expansion of some sectors, still the unorganised sector continues to play a significant role in employment and income generation. The employment in the informal sector, which is a synonym of the unorganised
sector, has been estimated at 45 per cent for Calcutta, 40 per cent for Bombay, 46 per cent for Ahmedabad and about 60 per cent for Coimbatore. The role of unorganised sector in providing employment opportunities to the urban poor and its contribution to income streams of the urban economy cannot be overemphasised. But the validity of the assumptions underlying the approach that the unorganised sector can be an instrument of development needs to be examined. Available information on the structure and working of the unorganised sector does not provide a satisfactory answer to the issues of development strategy. The whole gamut of economic activities of this sector seems to be shrouded in secrecy and several crucial aspects of its functioning appear to be unexplored.

Considering the role played by the unorganised sector in employment generation, it is necessary to collect adequate information on the structure of activities and working of this sector. The structure and functioning of the unorganised sector has a great bearing on the unemployment and poverty problem in urban areas of an underdeveloped economy on
the whole and this gave rise to added significance to the concept of unorganised sector.

3.1. Origin of the Concept

The concept of unorganised sector as already stated is not a new concept, but what is new is the connotation given to this term in recent years. The terms unorganised, unregulated, traditional, household and informal are used interchangeably in contrast with organised, regulated, modern, corporate and formal sectors. The increasing interest over the problem of urban unemployment and poverty and the special attention focussed on the urban working poor by the researchers has given birth to these new terms. The term "informal sector" was first used in a study on Ghana¹ and then taken up in the report of the ILO / UNDP employment mission to Kenya². Thus it has gained considerable currency in the literature on development policy in general and employment policy in particular. The basic reason for the introduction of this term in the Kenya employment mission report followed from the now widely recognised fact that
it takes a very long time for the benefit of general development policies to 'trickle down' to the poorest sections of the population. Effective development needs to be focussed directly on a specific 'Target' population and the employment mission considered that perhaps the most important such target group in urban areas was what it described as the informal sector. Thus, the studies carried by the ILO (1972) and other available statistics reveal that in large urban conglomerates of the Third World Cities like Bombay and Calcutta in India, Jakarta, Mexico, Nairobi and Sao Paulo more than 50 per cent of the urban population is engaged in unorganised activities, Household production and services where there exists no work or wage regulation. In spite of this fact, the proportion urban poor is expanding at a faster rate than the total urban population, sometimes growing at a higher rate than the overall population of these countries (World Bank 1975; GOI 1981). It is also observed that their contribution to National Income is significant and in the case of India, the so called non-corporate, non-factory sector production is at par with that of the organised sector.
3.2. Characteristics of Urban Informal Sector Activities

We are still at a stage where we could do nothing substantially but accept that, "The informal sector as the name suggests, is not formal in its character". But we do have a number of variables characterising the informal sector, either derived on a priori basis or from empirical studies of several urban areas in developing countries. It must be mentioned that the main focus of the analysis has been on suggesting policies for mitigating the disadvantages of the informal sector, primarily manifested in lack of access to the resources of all kinds: capital, finance, modern technology and skills.

Thus, "informal sector" is a convenient way of designating a segment of the economy having certain characteristics which lead to unfavourable conditions for the growth of enterprises and activities operating in this segment. The term has no specific analytical meaning in itself, it is used "for lack of a better alternative". It has an advantage over
the terms derived from earlier dichotomous classification, such as "unorganised", "traditional", etc., to the extent, due to its greater vagueness, it becomes more inclusive and flexible to suit different empirical situations.

Small-size of Operations

Estimates of the size of the informal sector are varied. Majority of the writers seem to hold the opinion that large or even more of the population of the large cities of the Third World Economies operate in small establishments. The "Smallness" may have differing connotations in different empirical situations. The demarcation is generally made on the basis of size of employment. On the other hand, it is sometimes suggested that single worker establishments and those with only self-employed and own account workers form the core of the informal sector. On the other hand, the informal sector because of its limited access to resources and the freely competitive nature of its product and factor market is characterised by small scale operations. Because of small scale operations, mostly local inputs are used.
Small size of operations is considered a necessary condition for the inclusion of an enterprise in the informal sector, because "Smallness" is usually accompanied by several other attributes which make such enterprises disadvantaged.  

Family Ownership of Enterprises

Informal sector enterprises do not have a formally structured organisation; there is limited functional division of labour and specialisation. Most of the management and supervisory and sometimes some of the production functions are performed by the proprietor himself. There could also be extensive use of family labour. Though, this may not be true and appropriate always, as some of the largest enterprises in India are owned by individual families.

Low Order Technology

A more realistic characteristic of the informal sector is relatively low order technology that universally prevails in these sectors. The Technology is capital scarce and
at times the unity survives sheerly due to low wages. The
Technology is capital scarce, predominantly manual, low
productivity techniques of production as compared to capital-
intensive, highly mechanised and high productivity ones used
by the formal sector units. The question of indigenous tech-
nology is rather incidental to the issue, and is perhaps used
to deliberately exaggerate the helplessness and disadvantageous
position of the informal sector.

Highly Competitive and Unprotected Product Market

The informal sector operates in a highly competitive
market and often has to sell goods and services at unfavour-
able conditions and the nature of the segmentation of the
labour market and determination of unemployment\textsuperscript{12} and
has to face an inequitous competition from the organised
industries which form price cartels due to their monopolistic
and oligopolistic positions.\textsuperscript{13} Thus, they operate in a highly
competitive market as they are very large in number and
none is large enough to influence the market. The producers
of the handicraft goods in the informal sector, on the other hand, operate in a market mostly devoid of any competition. But, personal services form an important example of an informal activity, catering to the needs of higher income groups. Most of the products produced by these units are to the low and middle income groups. By and large, we can state that, the informal sector establishments are not able to realise the same revenue per unit of their output. This is not so much an account of the nature of demand for the product and the nature of market faced by the firms, but the relative lack of holding capacity and marketing arrangements available to the informal sector enterprises which can again be ascribed to their small scale of operations and meagre resources. They sell to whatever buyers are at hand at the time their product is ready for sale, and therefore, are not able to realise the full value of their product.

Non-accessibility to Public Facilities

Informal sector has no access to public facilities and state patronage like bank credit, advantages of organised
capital market, foreign technology, imported raw-materials, protection from the formal sectors, electricity and water.15 Sometimes, these enterprises have to pay extra amounts for the same facilities or enter into clandestine arrangements with various agencies for this purpose. It is not because these facilities are officially denied to the informal sector units, but they are not able to avail of them because of their limited material resources, even when the State tried to mitigate some of these disadvantages by giving them a preferential treatment.16 The benefits have not gone to the smallest of the informal sector establishments for reasons of their inability to cope up with the official procedures for obtaining them.17

In some countries, many of the economic agents in this sector operate illegally, though pursuing economic activities similar to those in the formal sector. Illegality, then it is usually a consequence of official limitation of access to the formal sector.18 The bureaucratic procedures which have to be followed to obtain scarce inputs, such as foreign exchange are complicated enough to put them at a serious disadvantage or force them into riskier black market transactions.19 The Government quite often forces these "enterprises
to move on account of overcrowding, health considerations, traffic congestion, environmental or aesthetic factors or because the land they occupy does not belong to them. 20 Thus, Bank credit, space, electricity and water etc., are examples of such services and inputs which are not supplied on a government licence, yet the informal sector units are not able to avail of them adequately. The situation is a result of uneven distribution of private resources, which seems to directly determine the distribution of the benefits of public resources as well. It is a basic contradiction of a private enterprise economy characterised with extreme inequalities, that even the state measures to reduce them result in merely accentuating them.

Unprotected Labour Market

The Labour market in the informal sector is unregulated and highly competitive on the supply side, with absolute freedom of entry. The supply of labour in the informal sector consists of mostly new entrants in the labour markets, immigrants, who aspire for jobs in the formal sector, but finding the opportunities for it limited and entry restricted, start doing something or the other in the informal sector either as self-employed, part-time workers, apprentices or full
time workers in small establishments. Thus, the labour market in the informal sector reflects absence of wage and work regulation and wide prevalence of self and casual employment. Every worker has something to do, implying that entry into the labour market is merely automatic. Consequently, the informal sector bears the brunt of excess labour supply which tends to lead to situation of significant underemployment. The workers in the informal sector work for very long hours at low wages and are also exposed to vicissitudes of market fluctuations and whims and fancies of their employers. Earlier, commenting upon the working conditions of those employed in the unorganised sector of the economy, the planners made the following observation:

While considerable improvement had occurred in the living and working conditions of employees in large and organised industries, owing both to state activity and trade union action, a great deal of ice-way remained to be made up in respect of the workers engaged in agriculture and unorganised industries.

In the same manner, the National Commission on Labour (1969) regretted that the "Government had paid inadequate
attention to the unorganised workers despite the fact that they constitute a fair proportion of those who produce goods and provide services.25 There is enough empirical evidence to show that wages in the unorganised sector have grown comparatively much less than wages in the organised sector of the economy.26 Apparently, unorganised labour cannot have the same bargaining power Vis-a-Vis employers as organised labour and would also not be enjoying the same degree of support from the government and public institutions as the latter. All this is bound to impinge on its living and working conditions which compounded with other unfavourable factors characteristic of enterprises in the unorganised sector tend to keep it perpetually in low-productivity, low-wage equilibrium.

3.3. Role of Urban Informal Sector in Economic Development

The role and potential of the informal sector in the development process of a developing economy has been a subject of much debate and discussion for a long time. Of late, the debate has become more alive with the emergence
of a strong view point that development strategy focussing on these sectors could prove more effective in the generation of rapid and equitable growth of income and employment.

The re-orientation of development thought brought about by the appearance of the informal sector was desirable in many ways, such as it indicated the contribution which those in its various parts made to other parts of the economy. The suggestions that entrepreneurship was fostered therein, that imports were saved, that skills were acquired and that rural households gained from the remittances of the part of urban informal workers incomes led to a change in the way these people were perceived. Just as a decade before squatter townships began to be seen as "solutions" rather than "problems", so the unorganised part of the city economy came to be appreciated rather than criticised.

Granting that the urban informal sector has special role to play in the urban economy and that as a matter of economic advantage, this sector needs to be strengthened. Here, Breman states that there are two lines of thought on the role of informal sector in the long run development process.

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According to one view, the informal sector is inevitable as a transitory phenomenon in the development process, providing the poor with some income and employment until they are absorbed in the formal sector, during the course of its development. The second view, supported by the ILO, considers the informal sectors as a source of development and recognised the need to establish linkages with the formal sector for mutual advantage and advocates favourable treatment by Governments. At this juncture the basic question which the policy maker will be confronted is whether one should follow supportive policies exclusively for the development of the informal sector as is the practice in the agricultural sector in respect of small and marginal farmers? or should a policy frame which postulates an integrated development of both the formal and informal sectors utilising the potential linkages between the two be evolved?

Another argument that emerges from the above discussion is that the informal sector has to be supported since it provides job opportunities and potential for expansion because the labour market is highly fragmented on particularistic basis and rooted in several social considerations.
Focussing attention on the relationship between informal sector and social stratification, Breman analyses the class structure of the working population of the Indian urban areas and arrives at the conclusion that the categories of employers and employees in the informal sector broadly belong to the "Petit-bourgeoisie" and "Sub-proletariate" classes. The sub-proletariate workers do not enjoy every sort of protection either from the Government or from the Unions, and they include casual and unskilled workers. Workers employed in small scale workshops and labour reserve of large enterprise.28

Rapid growth of formal sector, it cannot be denied, may provide scope for employment of the poor and the absorption of the work force into this sector. But several constraints, among them being scarcity of capital, may come in the way of rapid growth of formal sector. The development of this sector requires relatively high technology and capital resources and is more closely associated with skilled labour. The development of the informal sector is not only less capital-intensive, but also associated with more employment opportunities for unskilled labour force which is found in abundance. What is required for the utilisation of the potential
of the informal sector is to delineate this sector which exhibits certain characteristics of its own. A better deal for the informal sector, is ultimately based on the argument that growth based on the development of this sector will be more effective in taking the problem of unemployment and poverty in urban areas.

3.4. Economic Linkages of the Informal Sector

There exist both forward and backward linkages of the informal sectors with the formal sectors, which have been termed as exploitative by some authors and benign by others like Papola and Mathur. The two forms of economic activity, namely production and marketing can be sub-divided into several processes which reflect a juxtaposition of the formal and informal sectors.

Production Linkages

A large number of big corporations, both in the national and international sectors, sub-contract part of their activities outside their own enterprises to small and tiny units.
It is cheaper to have the work done outside the formal sector in cases where there are no economies of scale. This is not uncommon in developing countries, as much of the technology and product composition permit little room for economies except by wage reduction. The different studies on the economies of scale\(^{31}\) and occupational wage disparities across different sizes of firms in Indian industry are shown by the studies made by Bose and National Productivity Council.\(^{32}\) Typical examples of subcontracting in the mechanical engineering industries, food processing, electrical and electronic industries, garments textiles and furniture are found in the studies made by Watanabe (1978), Papola and Mathur (1980).\(^{33}\) To quote from a recent study by Harris (1982) for South India, "Durai Rajan owns a company producing a range of small machine tools... he is also encouraging some of the experienced workers from the machine shop to leave and setup their own small workshops. He has helped those who have agreed to do this by selling them second hand machinery at book value and by giving them orders to work..... he has been able to reduce the costs of production of the small drilling machines for which his company first establishment its reputation through lowering labour costs......
by having got rid of some workers who, whilst having valuable experience and skills were also leading trade union members and at least potential 'trouble makers'.

Sub-contracting has another exploitative element. Large manufacturers often delay payments, causing interest losses to their junior partners. The junior partners borrow money from the indigenous money lenders at an exorbitant rate of interest. This results in low and sometimes irregular payments.

Casual labour is employed by large factories and enterprises on a contract basis along with regular workers with differential wages and no commitments to any other facilities like medical benefits, educational facilities, pension benefits etc. This is a common practice in construction, companies and industries, where the demand for labour may vary seasonally or as per the supply of raw materials from agriculture such as Sugar and Textile Mills. In a detailed study of the construction industry in Ahmedabad City, Subramanian et al (1979) state that the system of labour contracting thus, characterises an important feature of the labour
supply in the construction labour market. The most common method is wherein the building contractor himself provides the materials and most of the employment required for some part of the task and pays the sub-contractor for carrying out the work...... The rate of payment indeed is determined by the market forces of demand for and supply of specific skills and is found to vary from 10 per cent to 20 per cent of the wage rates.35

A common form of attachment of casual labour to the organised sector manufacturing business, found in two entirely different industries and in two geographically distant areas, is the under-reporting of the size of labour force employed. Sreed Kerk states that in the light industry in Western India, it is in the interest of the proprietors to keep the number of workers low on paper, so as to economise on labour costs.36 They are thus able to keep wages of the unreported workers low and irregular and lengthen their working hours beyond eight hours a day. A large number of workers are also kept on a temporary status by following the practice of breaking the service length of the employees
after 240 days and re-employing them after a few days. The temporary workers are not covered by labour legislations. In Maharashtra's engineering industry approximately 1,00,000 workers are said to be unprotected by labour legislation. Similar practices are prevalent in the garment export industry in Madras as well. In addition Kalpagam also finds that units split their processes like stitching, sewing etc., in different places and declare them as separate units. The size of each unit is thus reduced, so as to fall outside the "factory sector" and avoid the labour regulations statutorily fixed in the factory sector. Each of these "sub-units" employ labour on adhoc piece rate basis which cuts down the labour costs.

The informal sector linkage is found in the textile industry too where there are a number of categories of workers are employed namely, permanent workers, temporary workers, badli workers etc. Their status is similar to casual workers, who do not belong to trade unions and do not avail the usual corporate sector advantages.

Yet another form of production linkage is the employment of cheap manual transport facilities for having semi-
finished industrial goods or raw materials of corporate sector on a 'piece-rate' basis. The whole business is on a contract basis and is technically outside the organised sector, thus avoiding most of the wage and work regulations and the earnings are at subsistence level or even below it. The same operations conducted by the formal sector would have to be done on 'time-rate' payments and at much high wage levels.

Waste re-cycling of industrial and household waste is often done by casual labour engaged in scavenging operations. These workers, mostly women and children, separate out metal pieces, rags, plastic products, corks, wood pieces etc., and re-cycle them into industrial production at lower cost than those incurred, when the same operation is conducted by the formal sector and which may involve large capital outlays and high wages due to unhealthy working conditions. This is yet another linkage of the informal sector with the formal sector.

Marketing Linkages

Marketing linkages of the informal sector with the
formal sector fall in two divisions. A large number of commodities produced in the informal sectors are marketed by the formal sectors at considerable profit for the latter, while the wages in the former are at the subsistence level. This is typically true for those commodities which do not require sophisticated technology and are produced by individual craftsmen or by small groups of traditional workers, who use their own indigenous means of production and are in no position to reach the consumers of their products directly.

Formal sector marketing agencies sometimes take up commission work or in other cases just buy the products from the workers and sell them at a higher price, they pay to the workers, to the upper echelons of the society or in the International Market. This control of the market by a few marketing agencies ensures backwardness and poverty among the traditional workers, thereby denying them the possibility of a technological change or innovation at the production process and a high marketable surplus is siphoned off. The industries where such practices dominant are footwear and leather work, textiles, garments, handloom, handicraft, metal ware, carpets, wood work etc. Recently, the
Planning Commission of India commissioned a series of studies on such practices, and they provide a data base for studying the process of production, marketing and surplus accumulation. To quote, the Project Director, Singh in one of the studies on 'Chiken' garments in Lucknow: "... the working of the market is such that the producer organisers' surplus has grown while the workers' earnings and share in the produce have dwindled... the concentration of riches in the hands of a few and deprivation of the mass of workers both result from the growth of craft taking place in the framework of the market processes." In all the six studies conducted by Singh and his team, more than 60 per cent of the workers earn less than Rs.40/- per month, which is below the poverty line at 1975 prices. Most workers are not paid in advance and even deductions are made on slight pretension. In certain cases, in the Mirzapur Carpet Industry the contractor traders pretend to be producers, since they place the orders and even engage wage employees on piece-rate wages, but in effect their role is no different from marketing agents.

In a detailed analysis of the coir making industry in Kerala, Issac (1982) finds that industrialists have turned
to pure marketing operations over the last 20-30 years as there has been a gradual shift from factory production to handicraft production. The erstwhile industrialists maintain a stronghold over the market and prices. The technology is traditional and the surplus is sustained only by lengthening the working hours. The wages in the organised sector is increased by about 50 per cent between 1960-70. But wages in the unorganised sector stagnated at about half the absolute value over this period. Similar processes can be identified in the Shoe Making Industry of Kanpur and Agra or the Garment Export Business in Bombay and Delhi.

Informal sector is also used for marketing commodities produced in the formal sector at costs much lower than the marketing costs of the formal sector. This processes saves the cost of marketing for the large producers or wholesale dealers, since the cost of labour is cheap. It is a common sight to observe very small retail outlets, pavement retailers or travelling salesmen, selling bottled drinks, cheap quality mill produced textiles, cheap garments and woodware, eatables packed by large industries, plasticware and old stocks of
consumer manufacturers etc. The case of newspapers/magazines delivered at homes or sold on streets by small boys, too is a case of prevalence of cheap marketing facility by the publishers/distributors. These are no direct surplus calculations for such operations available, but the fact remains that the commodity, whether sold by the Vendor or Departmental Store, is priced the same, and that the wage of the workers in the latter is low, implies that the amount the producers pay to the Departmental Store as commission is lessened by employing informal sector labour.

From these typologies, it is evident that the informal sector is an infinite source of cheap labour which is used for capital accumulation by the formal sectors through established linkages. They also indicate a wide heterogeneity in the informal sector, but they do help establish one of the means of surplus accumulation in the developing economies i.e., by exploitation of cheap labour. Lewis has framed a theory of growth based on availability of cheap labour in his celebrated work of unlimited labour supply in the fifties, but he had also implicitly envisaged a continuous
technological change which would push the productivity curve upwards, and explicitly stated that the surplus would be increasingly invested back for production.

3.5. Informal Sector in Developing Economies

The informal sector in the developing economies owes its existence to a number of historical processes and practice of policies in the contemporary period, which ensure its existence and perpetuation. It is well known that there had been a secondary sector even in the 18th and the 19th century, engaged in providing commodities to the village community and cities. But those activities were localised, with no linkages with the higher forms of economic activity. It is only by the turn of the century that the local commodity production was ruined by imports of manufactures from Europe and the manufacturers were forced to become agricultural labourers, or forced to migrate to cities. The excessive transfer of labour to agriculture stemmed the modernisation of agriculture due to a large man-land ratio and a consequent negligible surplus. On the other hand, the low skilled idle labour was a convenient source of cheap work. The migrant
Labour took up occupations comparable to their earlier occupation in technology and social formation, but of a different market orientation. Since, these workers carried with them cultural heritage, the sex biases etc., and were engaged in occupations of a similar nature as before, a working class consciousness did not emerge and the labour force remained segmented. This is evident from the different studies on the socio-economic profiles of the workers in the informal sector. Due to the extremely low earnings there was/is limited possibility of an independent growth through indigenous technological progress or investment in these segments.

In the post-independence period, the development paths pursued in these countries, whether they pursued an import substitution policy or an open economy policy, heavily relied upon foreign capital, technology and the entrepreneurial capacity of the local elite. This entrepreneurial class was/is essentially a mixture of money-lenders and feudal elements and the establishment of a central capitalistic order was beyond their capacity. The State policies towards the informal sector have been a combination of halting migration, promoting
intermediate technology, providing marketing facilities, fixing minimum wage laws and several other reformist policies within the existing structure of the society and economy. These were in no way helpful as the overall economic structure was unchanged and was even strengthened.

The informal sector has become an integral part of these economies and with their sudden withdrawal the whole system is likely to collapse. An immediate conclusion therefore is, that both wealth and poverty are created out of the same dynamics. Surplus generated by the informal sector is siphoned off by the formal sector, which in turn drains it abroad or spends it on conspicuous consumption, affecting the demand and commodity production structure and further distorting the income distribution. The necessary condition for the informal sector existence is the continued relative advantage that the formal sector obtains by linking with the informal sector for any activity. If $P_1$ and $P_2$ are the productivities of the same operation, when alternatively performed by the formal and the informal sector, and $W_1$ and $W_2$ be the wages to be paid accordingly, then the following
inequality should hold:

\[ \frac{P_1}{W_1} < \frac{P_2}{W_2} \]

The two circuits of an urban economy principally reflect upon the source of the growth in a developing country, as being based upon 'absolute surplus extraction', i.e., by getting larger volume of work done for some or lesser wages. This is different from the contemporary experience in the developed Western Countries where the principal source of growth has been the technological progress. These statements are completely verifiable by a study of the industrial structures of the developing countries, say, India, where there is a pathological dependence on foreign technology with such complete lack of innovation that even after a design is imported, the design for the same product has to be reimported after sometime when the present design becomes obsolete. Since, most of the technology is out-dated, informal sector linkages provide easy profit mechanisms.  

It follows therefore, that the informal sector has come to stay at its low level equilibrium with little prospect
of its own development due to the absence of reinvestible surplus. The existence of the formal sector in its present form, rests much upon the dependence on the informal sector and the vice-versa, and in this regard, they can be termed as a continuum of each other. However, there is an unequal relationship perpetuated, which is typically, what we term as the distorted structure of the economy.

3.6. Conclusion

It is an undeniable fact that a sizeable segment of the urban economies, consisting of self-employed individuals and small establishments, engaged in the production of useful goods and services and providing employment to a substantial part of the urban labour force, suffers from severe technological, marketing and other handicaps and is not able to derive the benefits of public services and support mechanism; and is, consequently, characterised by low productivity and earnings of those engaged in it. Most of the urban poor have their livelihood in this sector. From the policy viewpoint, which has been the main motivation
behind the development of the concept of informal sector, this sector needs to be identified and suitable measures need to be devised to enable it to raise its productivity and earning levels, and to grow fast with a view to absorbing the fresh entrants in the urban labour market, either as a result of natural population growth or in-migration from rural areas. Thus, urban poverty and under-employment reflected in the form of the informal sector are intrinsically related to the overall economic structure of the developing countries today. A withdrawal or altered position of the poverty-ridden sectors of these economies are likely to jeopardize the existing economic mechanisms. The perpetuation of the urban poor is related on the exploitation of cheap labour in a fashion that this method assumes the most efficient process in surplus generation, in the absence of a continued technological process and expanded investment in the industrial sectors.

To the extent the disadvantage of the informal sector consists primarily in the lack of its access to some basic inputs like space, electricity and working capital finance and in their inability to market their product profitably, the expansion of this sector with appropriate Government
aid in these respects, would lead to increasing productive employment. But, if their disadvantage lies basically in technological backwardness, their salvation may be in modernisation of technology which may result in reduction in employment potential per unit of capital and output. Further, if in certain activities, it is the small scale of operations that is technologically leading to the non-viability of the enterprise, scale enhancement and consequent formalisation would have to be attempted. Next, a sizeable segment of the informal sector is dependent on the formal sector for marketing of its products and acquisition of technology. A strategy of independent growth of informal sector without utilising the intersectoral linkages may lead to the decline of this segment of the informal sector.

But reformist policies formulated for poverty reduction and unemployment, promotion of intermediate technology etc., often strengthen the already existing linkages that bridge the working poor with global accumulation. In this regard, it is felt that the developing countries do not face the problem of unemployment so much: their problem is the distorted structure of the economy which leads to the skewed income generation.

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REFERENCES:


15. Ibid. 14.

16. Eg. in India as also pointed out by John Weeks.


39. Ibid., p.19.

40. Ibid., p.65.

42. a) TISS (Tata Institute of Social Sciences) 1982, "Urban poverty in the city of Bombay", a study by Indian Council of Social Science Research, New Delhi.


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