CHAPTER II

THEORITICAL BACKGROUND AND REVIEW OF LITERATURE

- INTRODUCTION
- THEORETICAL BACKGROUND
- REVIEW OF LITERATURE
- CONCLUSION
INTRODUCTION

The Purpose of this chapter is to provide discussion on theoretical background for the present research on ‘Employment Generation in Informal Sector: A Case Study in Coastal Karnataka’. Employment generation in a given activity is related to Human Resource utilization and results in human capital formation. Demand for labour force increases as the economy expands and supply of labour is abundant in a highly populated country like India. Hence, the question is how the abundant labour force is allocated among different sectors in a transforming economy? In such a situation, to analyse the status of informal sector and employment in informal sector, supporting theories need to be established which is attempted in this chapter. Further, Review of earlier research on informal sector has also been attempted. There are plenty of literatures pertaining to the informal sector. They are reviewed with a focus on the literatures pertaining to the conceptual issues, legal dimension, informal non-farm activities, employment and problems of the informal sector.

THEORETICAL BACKGROUND

Economic development in developing countries needs to give an attention to employ their abundant labour force. They have to take right decisions about ‘labour intensive technology’ versus ‘capital intensive technology’, in modernising their economy. Classical economists were very clear about ‘division of labour’. However, in largely populated developing economy, allocation of labour requires more attention for maintaining a balanced growth of all sectors. Further, new economic environment with globalisation policy, demand for the labour in the labour market is specified. In this sense, qualification, skills are checked in job markets. Such market would marginalise the uneducated or less educated, indigenous skill labour force. Such labour force has to engage itself in informal activities.

The phenomenon known as the Informal economy first came into scholarly prominence in the West in the late 1970s as a focus on irregular phenomena in western labour markets and tax evasion in other countries. (Dallago B. 1990)
Keith Hart (1970, 1973) a social anthropologist was the first person to bring the term informal sector (in a third world context) into the academic literature. He introduced the concept of the informal sector to describe a part of the labour force, which works outside the formal labour market. Hart considered the informal sector as almost synonymous for all categories of (small) self employed individuals. This was therefore typically used to refer to ways of making a living outside the formal wage economy, either as an alternative to it, or as a means of supplementing income earned within it. (Bromley and Gerry 1979)

Informal sector producers constitute a distinct social class. Informal sector producers may earn positive or negative profits in the short run. In the long run, the implicit wage in the informal sector determines the formal sector wage rate. (Sraffa 1960)

Dependency theorists and Marxists have conceptualised urban economic activities of the third world using the concept of ‘mode of production’. They viewed the informal sector as ‘petty commodity production’. Petty commodity production includes those activities which clearly fall outside the major axis of capitalist production/or market relations. (Gerry and Birkbeck, 1981:123)

Informal sector theories were developed in consistent with the view that the growth of informal sector is based on the conditions of capitalist development and the technologies employed by the informal sector. The activities of informal sector producers reduce the profits of the capitalists. Capitalists cannot prevent the informal sector producers encroaching upon their markets. If the capitalists lower their prices, informal sector producers have no alternatives but to match the lower prices. The market share would remain constant. The inadequacy of final demand prohibits the formal sector from making efforts to offer of employment to all informal sector workers. Informal sector producers tend to reduce the exploitation of workers in the formal sector. (Bill Gibson, Bruce Kelley 1994)

Informal sector plays significant role in generating incomes and wealth. The formal sector alone cannot solve the problem of poverty and unemployment.
Informal assets seldom carry proper titles; they cannot be used as collateral for formal loans which implies that many profitable investment opportunities, hence, opportunities to build wealth are left untapped in the informal sector. (De Soto 2000)

Informal sector activities are characterized by small-scale, self employed activities, with or without hired workers and it is carried on at low level of organisation and technology with the objective of generating employment and income. Informal sector activities are conducted without following the laid down procedures in the formal sector. They are largely unrecognised, unrecorded and unregulated. (Roseline Nyakerario Misati, 2007)

Rate of return and capital investment is less in informal sector activities. Informal sector activities are prominent in developing countries because it engages labour forces in times of crisis. Though return on capital investment is less in informal sector, they get prominence because of easy restructuring or rejuvenation during crisis and also the capital investment being low, there is no compulsion to get anticipated fixed rate of return on investment.

Informal employment is characterized by low income level and high poverty rates. Informal employment is an ultimate source of life for the people under extreme poverty. They may not be aware of their rights to certain legal and social protections and worker benefits or how to access such protection and benefits.

In the context of developing countries where labour force is abundant, informal sector is advocated because those economies are not capital abundant economies. Unemployment and disguised unemployment are the common features of these economies. In a capital scarce economy, low capital informal sector activities are more suitable. Moreover, the main agenda of such economies will be to eradicate poverty and unemployment. In such a situation informal sector would be more appropriate as they create employment opportunities for the less educated and low skilled labour force and generate income. Ragnar Nurkse in this context considers ‘disguised unemployment as saving potential’. In this way rural underemployment can be a source of capital formation.
In many underdeveloped countries unlimited supply of labour is available at a subsistence wage. Economic development takes place when capital accumulates as a result of the withdrawal of surplus labour from the subsistence sector to the capital sector. Arthur Lewis viewed that surplus labour of the subsistence sector would be effectively utilised in capital sector which would solve the problem of unemployment which leads to development. The growth of income generating non-farm activities both in urban and rural areas leads to absorption of surplus labourers of subsistence sector among the backward nations. Thus, the informal sector activities are more appropriate in solving the problem of unemployment and poverty among the backward economies.

The economic development of an underdeveloped economy is possible if the surplus labourers from agricultural sector are transferred to the industrial or non-agricultural pursuits. The marginal contribution of surplus agricultural labourers to the total output is zero or negligible. Therefore, John Fei and Gustav Ranies advocated reallocation of surplus agricultural labourers into non-agricultural pursuits for attaining self sustained growth of underdeveloped countries. The growth of non-farm activities of informal sector would encourage effective utilisation of the surplus labourers of agricultural sector.

Rural urban migration model of Harris Todaro (1970) indicates four different income groups within the working class in dual economy. These income groups comprise the workers of urban informal sector who receive the highest wages, workers of the urban informal sector receiving lower wages, unemployed workers in the urban informal sector with no earning and rural workers earning a different wage rate. There exists a positive degree of inequality in the distribution of income of the labourers.

These theories explain the phenomena of labour migration and attempt to give a solution for the surplus labour problem of an economy. In the context of informal sector, structural change theories substantiate the nature of emerging new activities and decay of traditional activities.
Globalisation, a macroeconomic phenomenon, is driven by micro economic forces, has its impact on workplace and employment. Globalisation presents radical changes in the local labour market. It leads to segmentation, casualisation and informalisation of the labour market. (Tabak and Crichlow (Eds).2000.)

The informalisation of the labour market is increasing informal sector employment in developing regions of Asia, Latin America and Africa. The informal sector in these transition economies is integrating with global economy, though in the lower levels with supply of goods and services and cheap labour. This is termed as ‘localisation of the global’ or ‘globalisation from the below’ (Global Report 2001:72-73). The informal sector is the shock absorber of globalisation providing the safety net and a source of income for those made unemployed by the formal sector.(Carr and Chen 2001:1-211)

After globalization, the importance of small scale and cottage industries has reduced as the policy encourages only those producers and investors who compete with foreign producers. Labour intensive industries find themselves hard to remain in the market. It further aggravated the problem of unemployment. On the other hand agricultural sector could not accommodate more labour. This sector is already experiencing surplus labour. In this context service sector activities gained momentum. Thus, informal sector which provides service activities became popular. Employment opportunities in this sector have increased rapidly. Hence, a large proportion of working population started depending upon the informal non-farm activities under the service sector. When major sectors (like industry) fails to provide employment for growing labour force, searching for new avenues of employment on the basis of local and self employment becomes important.

The service sector is one which equally contributes to GDP but here employment has not grown equally. Therefore, the service sector contributes for the development of informal sector. Informal sector activities are characterized as regional, low technical skill based activities, indigenous and occupational based activities. Major activities of informal sector are classified as Culture based
traditional informal activities and modern activities. Culture based traditional informal activities include Pottery, Bell metal making, Black smithy, Rope making, Goldsmith, Rice mills, Carpentry and so on while modern activities include Flour mills, Tailoring, Telephone services, photocopy centres, Iron and steel works, Repairing and servicing, Shops, Refreshment, Eating stalls, Photography and so on.

In developing or highly populated backward economy, providing employment to illiterate or low educated and low skilled labour force is a challenge. In this situation, informal activities are more appropriate. However, they are transforming due to changes in economy and in this context analysing their economies and problems is essential. Probing the employment potential, structural transformation, cost structure and major problems faced by such activities would help us to frame an appropriate policy for informal sector.

**REVIEW OF LITERATURE**

Review of literature is made on different dimensions of informal sector. The study pertaining to the conceptual and legal aspects of informal sector, non-farm rural employment, socio economic dimension, employment and structural changes, women employment in informal sector, labour administration, new developments in informal sector and overall problems of informal sector are reviewed.

**A. The conceptual and legal aspects of informal sector**

The conceptual and legal aspects of informal sector provide definition, structure, legal and regulatory aspects of informal sector. The conceptual and legal dimension of the informal sector is discussed with the help of following literature.

Though Hart’s original notion of the informal sector was limited to the self employed, the introduction of the concept made it possible to incorporate activities that were previously ignored in theoretical models of development and in national economic accounts (Madura Swaminathan, 1991)

The pioneering research on the informal sector was the report of the International Labour Office (ILO, 1972) on employment in Kenya. Informality in
this report was mainly characterized by the avoidance of government regulations and
taxes. It states that the growth of informal sector became essential to generate
income and employment opportunities to the people. Further, it argued that solving
the problems of informal sector is possible if issues like employment relationships
and inequality are solved.

The concept of Informal sector was developed by giving regulatory frame
work. Legal status is the main element which distinguishes the formal and informal
activities. Private property rights, deregulation of the market and abolition of state
intervention is required for the development of informal sector. (De Soto 1989)

The informal sector arises from the capital limited nature of the economy.
Informal sector producers are neither capitalists nor workers, but rather they
constitute a distinct social class, where the process operated formally as well as
informally are seen to be non-trivial and depends on the position on the wage profit
line. In the short run, informal sector processes may earn positive or negative profit,
but in the long run, the implicit wage in the informal sector determines the formal
sector wage rate. (Bill Gibson and Bruce Kelly 1994)

It was opined that the various characteristics of the informal sector need not
be consistent each other and found universally in all the cases. (Papola T.S. 1980)

Informal sector activities like Tailoring, Plastic industries, and slum
industries indicate that working conditions of informal sector units are detrimental to
their workers. It was found that there was a higher degree of workers exploitation
when value added and capital invested per unit rise. Wages remain the same even
when productivity increased. Emphasis need to be given to regulate working
conditions and wages of the informal sector activities along with the policies of
encouraging the growth of this sector in terms of production, employment and
capital. (Emmanuel Romatet 1983)

Forms of employment, ownership and types of regulation are the three
different features which are commonly used to define the informal sector. The
definitions based on the regulation of the status of an enterprise and regulation of employment conditions proved to be adequate conditions for identifying informal sector enterprises and employment respectively. Informal sector employment accounts for a significant share of employment, urban and rural, in developing countries. It is very much difficult to draw a clear distinction between the formal and informal sectors. They are not isolated. Large number of links prevails between formal and informal sector like, the sub contraction of work by formal enterprises to informal enterprises. Therefore, public policies targeted for the informal sector must examine its impact on the formal sector also. In the developing countries, research on the informal sector derived from a concern with the problems of mass poverty and unemployment. Work in the informal sector was identified with low productivity and low incomes. The existence of high reserves of underemployed and unemployed workers with low skills and low productivity and workers living in poverty remains the primary motivation for studying the informal sector and its evolution. (Madhura Swaminathan 1991)

The growth of informal sector in terms of employment generation and its overall contribution to the Gross Domestic Product in Pakistan was remarkable. But, it reveals that the measurement of its true potential in fulfilment of the social responsibilities or economic well being of the country was not done properly. The Informal sector was a major source of employment generation (67.0 per cent) in the urban centres of Pakistan and provides simple job opportunities to the illiterate and unskilled. The earnings of the informal sector workers were relatively lower than the formal sector workers. The female participation in the labour force of Pakistan was relatively small. But the female participation in informal sector was higher (80.0 per cent) than their counterparts in the large formal enterprises (20.0 per cent). It was found that the majority of females working in informal sector were having less than primary level of education and have no formal training. The average female earnings per month were less than the male earnings in the informal sector. (Mahmad Ahmad Bodla and Talat Afza 1997)
Informal sector in Pakistan has assumed greater importance due to its substantial contribution to Gross Domestic Product and achieving the social objectives of employment generation. It was emphasised that the policy makers of the state should focus on the various aspects of informal sector such as income generation potential, constraints, quality of labour, working conditions, work opportunities, role of education and training. This would encourage the substantial growth of informal sector of the country. (Younis Jafri S.M. 1997)

A large part of the informal sector in India are surviving at a low level of productivity due to low technology, little capital assets and adverse market conditions. The enterprises in the sector generally do not have much liquid cash for maintaining inventories. They also face serious difficulties in getting adequate and regular supplies of certain raw materials. In general, the sector does not respond to the demand factors. As a consequence, the increase or decrease in the number of units or employment in many informal sector enterprises takes place without corresponding increase in the total output. It was viewed that significant measures are required to modify the present organizational structure and the mode of operations of the public agencies with the objective of increasing their accessibility to informal entrepreneurs. (Amith Kandu 1999)

With a view to providing umbrella legislation for the informal sector, the Second National Commission on Labour was set up by the Government. Providing the Suggestions for rationalization of existing laws relating to labour in the unorganized sector and to suggest ‘umbrella’ legislation for ensuring a minimum level of protection to workers in the unorganized sector were the twin objectives of this Labour Commission. The second National Commission set up a working group to look into the details of such an Act and based on the report of the working group it formulated a prototype bill which was part of its report submitted in 2002. This bill was used as the basis for a considerably altered unorganized sector (protection and social security) bill prepared by the labour ministry. The National Commission also sees the Act as a set of obligations of the nation towards the workers and a mutual set of obligations of the workers towards the nation. The obligations of the
Government, employment providers, and the society towards the country’s working population include; Minimum wage/income, Social security like health and old-age insurance, welfare like child care, prospects for skill/technical advancement. Similarly, the working population has the obligations towards the nation such as minimum age limit, i.e. no child worker, receptive to develop skill and better technology, belong to workers organization. (Renana Jhabvala 2005)

Informal economy refers to all economic activities by workers and economic units which are not covered or inefficiently covered by formal arrangements. Their activities are excluded from the purview of the law. Informal workers are low paid with no social protection. There is absence of well defined employer employee relationship. They do not have access to facilities like credit, production or marketing support. Informal workers are mostly unskilled and often their work is home based, isolated and vulnerable. (Sivananthiran A. Venkata Ratnam C.S. 2005)

In India, the proportion of informal sector workers to total workers was highest in trade followed by manufacturing, transport and real estate, business services etc. The exclusion of domestic services from the informal sector survey has reduced the share of community, social and personal services in the incidence of informal sector employment. In terms of composition, trade and manufacturing accounted for 70.0 to 75.0 per cent of the total informal sector employment. However, in urban areas the share of trade exceeds that of manufacturing. Hence, the dominance of the tertiary activities in the informal sector, which was observed three decades back, does not seem to have undergone any major change. Estimate of informal sector obtained by following the residual approach, states that unorganized sector comprises around 90.0 per cent of the workers in the non-agriculture sector in all areas (rural and urban combined). But the organized sector employment as reported by the Directorate General of Employment and Training was a gross under estimate, implying that the unorganized sector employment was over estimated. (Arup Mitra 2006)
The residual and direct approaches for estimating unorganized workers were being adopted in India. In residual approach unorganized workforce was estimated by deducting the total organized employment from total employment figures which is derived from Employment-Unemployment Survey of National Sample Survey (NSS). Direct estimation involves arriving at organized or unorganized component of workers directly from Employment Unemployment Status (EUS) based on variables such as employment status of workers, salaried/regular labourers, casual workers and self employed workers, type of enterprise, number of workers, type of jobs, and coverage of provident fund. It reveals that India’s workforce comprise nearly 92.0 per cent of unorganized workers with virtually the entire farm sector falling under the informal category, only one fifth of the non-farm workers are found in the organized segment. Utilizing both residual and direct approaches, the study uses the last four quinquennial rounds of employment unemployment of national sample survey. The study examines the growth and structure of formal and informal sector workforce by one digit industry across major Indian states. An estimate reveals that in the non-farm sectors, as we move up the ladder of income, the share of informal sector gradually declines. However, as far as the agricultural sector is concerned, irrespective of economic class, the share of the unorganized segment of the workforce remains flat. (Kakthivel S and Pinaki Jodar, 2006)

There are a number of gaps in the statistics on enterprises and employment in informal sector in India. The data gaps originate from the divergence of the existing data collection mechanism and coverage required for an unorganised sector. National Statistical Commission recommends that a dedicated unit should be created with National Statistical Organization (NSO) for standardizing concepts, definitions and harmonization thereof and promoting their use in census and surveys. This unit will also regularly interact with all national level institutions involved in conduct of such surveys on the need for adopting harmonized concepts and definitions. (National Statistical Commission Government of India 2012)
B. Non-farm rural employment aspects of informal sector

Informal sector is backward by nature, and in a dualistic economy it may seem that the rural economy is backward. Also, a large number of labour forces are engaged in rural economic activities. Further, unemployment problem is severe in rural areas and such economies are looking for better employment opportunities for rural unemployed labour force. Few research studies have been analysed for explaining the provision of employment in rural non-farm sector through expansion of income generating activities.

The rural non-farm sector is the employer of the last resort to the growing proportion of rural population. For small and marginal farmers, the non-farm occupations provide income and employment opportunities throughout the year. It was viewed that modern processing industries have to be developed in rural areas. The processing industries have strong backward linkages with farm activities. It will generate additional employment opportunities in rural areas. Local agencies like District Industrial Centres (DIC) have to be developed in order to provide institutional support in technological and managerial functions. (Sudhakar Rao B, Purushotham P. and Gangi Reddy Y 1989)

The growth of rural non-farm sector in India has its tie with agricultural production and consumption linkages. In spite of growing urbanisation, the demand for locally produced consumption goods is found to be strong. The goods and services produced in rural non-farm sector have comparative cost advantages over the similar goods produced in urban sectors. There is a need to improve the production linkages of the non-farm sector with farm sector. Local entrepreneurship can be developed through well devised incentive measures. It would develop backward linkages. Forward linkages could be developed through agricultural processing industries if they are located nearer the base of production rather than at consumption centres. Forward and backward linkages help to the development of rural non-farm sector. Decentralised planning and useful investment in social and economic infrastructure will contribute to the growth of rural non-farm sector in India. (Sudhakar Reddy E. 1991)
The growth rate of employment in India during the 1980’s as measured from the 1981 and 1991 censuses shows that the primary sector employment grew faster than the manufacturing sector and the tertiary sector employment grew faster than the primary sector employment. Within the manufacturing sector, public sector employment grew fast during this decade. However, manufacturing employment in the private organized sector fell in absolute terms. The private unorganized manufacturing employment grew rapidly enough in this period to give an overall positive growth rate to the private manufacturing sector in this decade. Hence within the broad category of non agricultural sector it was mainly the unorganized sector in manufacturing and the tertiary sector where employment has been created. The non-farm activities of the unorganized sector had crucial role in generation of employment in India. (Bhattacharya and Mitra (1993)

The Rural Non-Farm Sector (RNFS) in Bangladesh has grown in importance in the late 1980s. It was providing an increasing share of employment and value addition. While the rural non-farm sector was less productive than its urban counterpart, it generated full time, sustainable employment in small scale industries. The household sector largely consists of low productive activities and continues to employ the bulk of the rural labour force engaged in the RNF Sector. Policy intervention to promote non-farm employment was justified on a number of grounds. First, growth of RNF employment promotes more equitable growth in Income by providing employment to unskilled workers and other vulnerable groups. Second, by enhancing job opportunities in rural areas, growth in RNF employment to some extent stops the large scale migration to cities. Third, the most important, RNF employment largely benefits women. (Sona Varma and Praveen Kumar 1996)

The growth of non-farm income and employment in the rural areas of Punjab depends on the linkages between agriculture and related rural activities, and between agricultural activities in general and those in other sectors, notably industry. The study on Punjab experience revealed that the agricultural growth was vital for non-farm income and employment generation in Punjab. But agriculture alone was not a sufficient factor. There were host of other factors in the process of agro-
industrialization which had a role to play in the emergence and sustainability of the non-farm sector. The nature of market, urbanization, location, infrastructure etc. play significant role. (Sukhpal Singh 1996)

A common feature which was found in Agriculture sector of the North Bihar is that the workforce has been increasing. The majority of the households have engaged in non-farm activities which are sharply emerging in informal sector as supplementary activities. Wage employment scored better than self employment. Per capita earnings from wage employment remained at the higher side than self employment. However non-farm activity is yet to be organized for their proper development. It was viewed that, in order to promote non-farm activities as agro-industry venture of cottage industry in informal sector, people based co-operative venture is required to be initiated. Food processing units in particular should be reserved for and started by the village co-operatives and successful units should be encouraged and rewarded. Village artisans should be given priority of assistance and incentives. Dairy co-operatives as a supplementary package should be introduced in every village or cluster, considering groups of agriculture labour and poor middle peasants on priority basis with a sustainable package of means and processing units. (Diwakar D.M.2000)

The emergence of literacy as a significant factor points to the importance of social development in the growth of rural non-farm activities in Rajasthan. Since literacy leads to a negative attitude towards farming among youth especially in small holding households, non-farm activities emerge as somewhat natural choice in the absence of white collar jobs. Literacy leads to a better world view and exposure which helps in understanding more business and urbanized non-farm activities. This linkage of literacy was also evident in the positive relationship between levels of literacy and the number of non-farm enterprises in the study villages. Most of the non-farm enterprises were rural based-rural linked and town based -rural linked. The second linkage was more in the nature of being supportive to the first one. It was found that only basic activities like dairying, flour milling locates in the villages. The traditional activities are gradually dying and getting replaced by new ones. The
major growing sectors were grocery shops, tailoring, repair shops, food and beverage outlets, transport and medical stores. (Sukhpal Singh, R. Prabhakar 2000)

There were two divergent views on the growth of non-farm sector such as growth led and poverty induced diversification into the non-farm sector. Access to agricultural land deterred participation in wage and self employment. Households in the later stage of their life-cycle undertook self employment in the non-farm sector. The older heads of households were able to acquire the necessary physical capital needed for non-farm employment. Education, however, enhanced earnings in both wage/salaried and self employed activities. Non-farm activities are heterogeneous consisting of high productivity income opportunities and low productivity residual activities. They found evidence of rationing into the non-farm sector occurring at three levels. At the first level, entry into the non-farm sector was restricted through higher levels of basic education, lower value of agricultural land and a ‘circle contacts’. At the second level, entry into high income secure jobs was influenced again by the level of education and market opportunities for skills. The entry into self employed non-farm sector was restricted by availability of capital, both human and physical, and caste status. At the third level, persons of lower caste, illiterate and with low levels of human and physical capital were pushed into low income, low productivity residual self employed activities in the non-farm sector. (Jeemol Unni 2000)

The significance of the non-farm sector was more pronounced in the agriculturally backward and low productivity regions such as the hill districts of Uttanchal in India. Agriculture and its allied activities were found constituting the economic base and the main source of livelihood and employment for the people in the state. The state was lacking the scope for large scale diversification of economic activities, especially through initiating industrialization and large scale production system because of a number of factors such as limited environmentally sensitive base, their spread of useable resources across different and inaccessible terrain, inaccessibility to markets and modern inputs and technology, deficient infrastructure and high transport costs leading to non-competitiveness of products. The rural non-
farm sector was dominated by retail trade, personal and community services and to a little extent by the manufacturing activities. The structure of producing various goods and articles in rural industrial enterprises was seen largely governed by the nature of local demands, The perceptions of the non-farm households were that bringing improvements in the production technologies, introduction of additional goods and articles in production systems and the protection of the functioning of rural industries through developing and introducing suitable programmes for sustaining and the survival of rural industries. (Mehta G.S 2002)

The structure of rural employment in India which resulted in the employment setbacks of the nineties lend themselves to various interpretations. One view was that rural child workers were withdrawn from the labour market and sent back to the school. Another view holds that, fiscal compression exercised during the early years of the nineties and the consequent decline in public expenditure, especially on employment-intensive and poverty alleviating programmes, was the main cause for the halt or decline of non-farm employment growth. Another explanation was that the poor growth of agriculture during the nineties resulted in the decrease in employment. In the view of some other analyst, increasing competition with urban non-farm sector, particularly the manufacturing segment resulted in down fall in employment during the nineties. Industries in the rural areas have undergone a ‘silent transformation’ towards better production technologies and extended market linkages after the on-set of economic liberalization and globalization regimes. The job market was becoming more and more selective. The level of education, skill and training became indispensible requirements for most branches of non-farm activities in India. (Chadha G.K. 2003)

Thailand’s rural sector has undergone considerable employment diversification in favour of non-farm employment in the last few decades. There was temporary halt to this process in 1997 and 1998 because of the economic crisis of 1997. Thereafter as the economy recovered; share of Rural Non-Farm Employment (RNFE) in total rural employment has again started increasing. The degree of female employment diversification in rural Thailand in favour of non-farm employment was
more pronounced in comparison to male employment diversification. The linkage between farm and non-farm sector has proved successful. It was viewed that the public policy should promote the linkage between farm and non-farm sector which would ensure the growth of productivity in farm sector and growth of employment and income in the non-farm sector of the rural areas. The favourable policy on credit, marketing, subsidy and raw materials would encourage the growth of informal sector. It would also reduce the regional disparity in the country. (Bhagirathi Panda 2003)

The liberalization and globalization policy has brought benefits to a large number of dispersed and unorganized sellers of goods and commodities boosting their employment. It has reduced corruption. Removing obstacles that hinder the poor, as well as deregulating markets that work in favour of the poor has helped to expand the economic opportunities. For example, easing licensing restrictions on milk processing capacity in Uttar Pradesh has led to a doubling of such capacity within four years. It had tremendous beneficial impact on the livestock economy in the state, which was largely dependent upon female labour. The yields and returns have increased along the milk routes and collection centres. (Saxena N.C. 2003)

The exposure of rural non-farm enterprises to the impact of liberalization was placing a huge demand on the part of development institutions and government to equip the working poor and micro enterprises with skills, knowledge, access to credit, technology and all other requisite resources to enable them to operate, compete and survive in the competition against the large players. Development support in the form of building adequate infrastructure, large scale state investment for modernization and expansion of infrastructure in terms of power, transport, communications, cold storage facilities were required. This was necessary to equip those industries with the requisite capability to face international competition. The government had to provide a level playing field for the rural micro enterprises in the period of transition. This level playing support in terms of fiscal as well as tariff measures became one of the core elements of the national strategy for economic development. Removal of poverty, generation of productive employment, and
Agriculturally developed districts of Andhra Pradesh have higher level of Rural Non-Farm Employment and its industry groups. The pattern of RNFE in A.P. is similar to All-India. In the industry groups of RNFE, except mining and quarrying, household industries and construction, other groups manifested increasing trend in A.P. The major determinants of RNFE are agro-economic conditions, urbanization, infrastructure and poverty. In order to generate employment in non-farm sector in rural areas Government has to evolve the programmes in organized manufacturing, trade and commerce and other services. Desired level of diversification of work force is possible through the development of agriculture and infrastructure facilities in rural areas. (Gangadhara Rao G. 2006)

Enhancing productive employment opportunities in rural areas was a challenging task. The diversification of rural economy has encouraged the growth of non-farm sector. Development of non-farm sector has helped to use the unutilized labour force productively in the rural areas as they cannot be moved away to urban areas. Studies on farm and non-farm linkages have shown that the degree of commercialization of agriculture influenced the growth of Rural Non-Farm Employment. Delivering inputs at the farm gate, as well as marketing the output requires the expansion of trading activities, leading to the growth of rural non-farm activities. It was argued that infrastructure development tends to promote rural work force diversification. Well developed rural infrastructure promotes secondary sector development in general and rural industrialization, in particular. The levels of education has a significant role in raising the capability of entrepreneurs to see local opportunities, to promote workers skills, and to forge better rural urban or agriculture–non-agriculture linkages. The impact of education was found significant in regions which were well developed. (Satya Sundaram I. 2008)

Creation of employment and income generating opportunities in the non-farm sectors such as construction activities, brick manufacturing, candle making, tailoring
etc and agricultural and allied activities such as dairy farming, poultry farming, goat, sheep, pig rearing and agro-based rural industries, oil mills, flour mills etc becomes a concrete solution to address the problem of rural indebtedness. Creation of infrastructure and providing employment avenues in non-farming and allied farming activities became a permanent solution to the problems of rural indebtedness. Provision of micro credit under the self help group concept is proved to be a successful attempt to eradicate rural poverty. On similar lines, non-farming activities are considered as a permanent venture towards the problems of indebtedness. (Senthil Kumar T.K and Chockalingam S.M 2009)

The occupational shift of women towards rural non-farm sector was mainly driven by the poverty / distress related factors, whereas in respect of men, it was determined by growth related factors originating from agriculture in favour of rural non-farm sector tends to raise the wage rates of the existing labourers in agriculture and thereby contributing to a decline in poverty. Occupational diversification in favour of rural non-farm activities, therefore, has directly and indirectly dual impact on reduction of poverty. In view of a gradual decline in the share of the government expenditure for rural development and poverty alleviation programmes, the promotion of rural non-farm activities followed by agricultural growth and human resource development was considered as an important policy intervention to tackle the long standing problem of poverty in rural areas. (Kusugal N.S. and Biradar R.R 2010)

The Rural Non Farm Sector has greater significance for its productive and employment effects. It offers services and products upstream and downstream from agriculture in the off-farm components of the food and fibre- system, which are critical to the dynamism of agriculture. It provides income to the farm households. The contributions of Rural Non Farm Sector are increasingly significant for food security, poverty alleviation and farm sector competitiveness and productivity. (Tom Reardon)
Rural non-farm activities were considered as an alternative path towards economic development. It was viewed that during the period of the New Economic Policy (NEP) major displacement of labour has had taken place. It created financial crisis, balance of payments problems among the less developed countries including India. Supply of capital through foreign trade, foreign payments, and borrowings has come down. The internal savings and capital formation also have slowed down. Hence, developments of non-farm activities were treated as feasible way out in the age of globalisation. (Suchismita Mondal and Pinaki Chakrabrti)

The non-farm sector has played an important role in absorbing a growing labour force, in slow rural-urban migration, as a contributor to national income growth and in promoting more equitable distribution of income. One of the important roles of Non-farm activities was to provide work in the slack periods of agriculture cycle. (Lanjouw J and Lanjouw P)

The share of non-farm workers in total workers exhibited an increase in rural India and Haryana between 1981 and 2001. Out of the total work force, 35.0 per cent are engaged in non-farm activities. Rest of them were dependent on agricultural activities for earning their livelihood. The development of non-farm sector employment in the eighties was very slow but the decade of nineties was a period of high growth. The highest employment in rural non-farm sector was generated by the service activities. Construction, trade, communication, transport and storage emerged as the growing sectors in the rural economy of Haryana. The non-farm sector employment was an important component of the rural economy of Haryana. (Usha Tuteja)

C. Socio-economic dimension of informal sector

Socio-economic conditions of the informal sector workers and entrepreneurs are poorer than the workers and entrepreneurs in formal or organised sector of the economy. The level of income, capital investment, labourers employed, marketable capacity of the entrepreneurs in this sector is less. Workers in this sector are not provided with sufficient social security facilities. The condition of work, wages are
very less in this sector comparing the formal sector. Some of the research studies have been discussed here to analyse the social status and working conditions of the informal sector workers and entrepreneurs.

It was viewed that there is a need of social security for the unorganized entrepreneurs and workers. Efforts are to be made to strengthen the social and material base of the communities of the unorganized sector. The structural poverty has to be removed through the proper development of the unorganized sector. The rights of unorganized sector enterprises and workers to access natural resources needs to be safeguarded through proper laws (Nalini Nayak 2005)

The coverage of social security schemes has been largely against economically and socially vulnerable sections. The regular workers are largely covered by the provident fund regime. The casual and contract workers even in the organized sectors have been discriminated. Self employed people who constitute the significant proportion of India’s workforce are not covered by the social security measures. (Kakthivel S and Pinaki Joddar, 2006)

The steel workers in Chennai city constitute one of the worst affected category, both in terms of conditions of employment and level of living. The study on socio-economic conditions of informal workers felt that their average earning was much below the poverty line. By and large the stainless steel workers live in abject poverty and illiteracy. Vessel making is a monotonous job which involves large working hours; say 10-12 hours per day. Child labour was wide spread in the stainless steel industry. Steel workers were subjected to extreme level of exploitation. The stainless steel workers in general do not have any contact with the manufacturers. The middlemen or the agents act as buffers between the workers and manufacturers. Of all type of workers in the unorganized sector in the country, stainless steel workers were one of the most exploited, unprotected, unregulated and unorganized. Unorganized nature of work and the close and private nature of relationship between the stainless steel workers and the individual employer, smaller premises and lesser number of workers in their shops were the reasons for their poor
conditions. They do so to escape labour legislation and keep themselves free. The workers who were working under the umbrella of unorganized nature, do not have strength to fight for their survival due to illiteracy, inadequate alternative sources. (Ravichandra Babu G.2009)

There was positive and significant correlation between informal sector employment and the incidence of poverty in Indian states. The percentage share of informal sector workers in the poor states was more than developed states. The definition of informal sector workers is more about the characteristics of the enterprises rather than the characteristics of the worker. The concept of informal worker is based on the personal characteristics of the worker rather than enterprise. More than 92.0 per cent of the total workers in India constitute informal workers. Around half of the formal sector workers are informal workers. This indicates that casualisation or the amount of contractual labour increases in the formal sector which is a matter of great concern for policy makers. Since the formal sector is unable to absorb the vast labour force in India, the policy makers should think of bringing the workers in the informal segment to the mainstream. (Ajay Kumar Naik 2009)

The socio-economic conditions of women labourers working in Brick industry at Madurai district of Tamil Nadu reveal that, work in Brick industry was not a matter of choice but a matter of economic compulsion to supplement the family income. Women working in brick industries were drawn from poor economic conditions. They were facing many problems like poor living conditions, pathetic working conditions, very long working hours, low wages and wage discrimination in terms of gender. The participation and contribution of brick women to the industry was significant but they were receiving poor response from the owners. In order to improve the conditions of brick women workers and to strengthen their social security some specific actions were taken. Integrated child development scheme (ICDS), the Public Distribution System (PDS) targeted on the households below the poverty line (BPL), the Mid-Day Meal Scheme for children in primary schools,
housing schemes such as Indira Awaz Yojana (IAY) and so on were some important schemes aimed at development of the poor people. (Muthuraja C 2012)

The activities in the Informal Sector require less skill, less capital and less education. The poor educational background seriously delimits their employment options in the modern sectors of the economy. The denial of education propels young girls into quagmire of early marriage. It restricted her participation in other walks of life. Lack of social security arrangements poses problems for individual workers as well as their families. It also has its impact on the economy and society. From economic point of view, it weakens the workers efficiency and their ability to contribute meaningfully to the production and productivity. Low earning power coupled with vulnerabilities led to poverty which reduced the aggregate demand in the economy. Socially it led to dissatisfaction and disaffection especially when a small segment of the society was well endowed with prosperity. The indirect costs of the absence of social security was that it led to increase in crimes, illegal activities, wide spread ill health and a variety of related social problems. (Jyoti Achanta and Sarita Agarwal 2012)

D. Employment and structural change aspects of informal sector

Employment in the informal economy comprises the sum of employment in the informal sector and informal employment found outside the informal sector. In most of the underdeveloped and developing countries large proportion of the work force depends on the informal employment. The modernisation and structural changes is responsible for the migration of labourers from rural to the urban sector. The organised or formal sector in the developing countries could not provide adequate employment opportunities for the growing population. Hence informal sector emerged as a large source of employment provider among the developing countries, including India. Few research studies have been discussed in order to analyse the various aspects of employment and structural changes in informal sector.

There was no direct link between the formal education which entrepreneurs and workers get and the knowledge and expertise required to perform the informal
sector trade activities in Africa. Informal sector training was purely practical. There was no emphasis on the theory underlying practice. In certain craft areas in the informal sector, practitioners have a different perspective on the linkage between school learning and work or on-the-job learning. Study felt that formal schooling as a process which was related to childhood, almost, young adulthood and when formal schooling ended, for whatever reason, it ended for life. There was little articulation of the idea of education as a lifelong process, or even of the desire to learn new techniques in the carpentry or metal working crafts. The vast majority of African school leavers find employment in the informal sector rather than in the formal sector. There was a strong relationship between skills and productivity in the informal sector. It was viewed that policy makers should focus on the integration of formal and informal learning. Formal education systems should be restructured in such a way that what is learnt in school must be useful for the employment. Reconceptualisation of knowledge is required by giving theoretical and practical importance. (Eva. M.Rathgeber 1988)

A comparative analysis of the various employment generation programmes adopted by the Governments of Asian countries indicates that special employment generation programmes alone cannot solve the problems of poverty and unemployment and they must be regarded as partial measures of poverty alleviation. Thus, a policy to promote special employment generation scheme should complement the policies aiming at long term economic development and growth of the industrial sector. (Piyasiri Wickramasekara 1990)

Indian economy was largely driven by workers of informal sector. About 44.0 per cent of all informal urban workers were working for India’s booming construction industry. From road construction crews to domestic help, they work long hours for less than minimum wage, receive no compensation for work related injuries and have no social security. (NCEUS Report 2009)

The problems of unemployment, underemployment and disguised unemployment in agriculture were much more acute than the problems of various
types of unemployment within the formal sector. The failure of the organized sector to absorb labour, at an increased rate was a major reason for the persistence of various types of unemployment within the organized sector. (Suzan Hazra 1991)

The growth of formal sector enterprises has failed to keep pace with high rates of urban and semi-urban labour force growth. The rate of increase in labour force was more than the growth of employment in formal sector. Therefore, the policy makers have placed greater reliance on informal enterprises which survive and subsist without the active encouragement of public authorities. The small firms are more labour intensive, more geographically dispersed, and more accessible to indigenous entrepreneurs and consumers. Thus policy initiatives were designed to increase the local demand for labour, improving earning opportunities and to achieve a better regional industrial development and income distribution. The products of the informal enterprises are inferior in quality and lower in cost as compared to those of the formal sectors. But in many cases the output of the former can be substituted for the output of the latter. The lower cost, even if inferior in quality, makes products of the informal producers popular among the lower income classes of the population. It was for this reason that development of informal activity becomes socially desirable. (Anand V.K. 1999)

The employment in Andhra Pradesh was largely unorganized, rural and non-industrial. The trends and quality of employment in Andhra Pradesh reveals that the work participation rates has declined significantly in both rural and urban areas of Andhra Pradesh during the 1990s. The employment growth recorded a drastic decline during 1993-94 to 1999-2000 compared with the period 1983-84 to 1993-94. The share of cultivators declined while those of agricultural labourers increased. Only around 6.0 per cent of the total workforce is in the organized sector in A.P. The growth of employment in the organized sector has declined over time. In the post reform period, the growth of public sector employment declined drastically while that of private sector employment increased. However, the growth of non-farm employment in rural areas has been stagnant since 1983. The diversification of employment was slower in Andhra Pradesh compared with all India in the 1990s.
Casualisation has been increasing overtime. Undivided rural A.P. has the second highest percentage of casual labourers in the country. Around 91.0 per cent of the rural workers in A.P are either illiterate or have been educated only upto primary level. Macro projections show that focus on agriculture and allied service activities seem to be most desirable from the point of view of increasing employment. It would reduce the poverty and income disparity significantly. (Mahendra Dev S and Vijay Mahajan 2003).

The unorganized manufacturing activities occupy a place of great significance, in both the rural and urban economies of India. Within the unorganized sector, the group of tiny and household-run enterprises occupies a dominant position in the rural areas, both in terms of the number of enterprises as well as the number of workers employed, and a little less so in the urban economy. Meaningful and people oriented strategy of industrialization should focus on the unorganized segment of manufacturing. (Chadha G.K. 2007)

The structural adjustment programmes have adverse impact on employment both within the organized as well as unorganized sectors. The organized sector has witnessed the retrenchment and actualization of employment opportunities. The unorganized sector was forced to accept workers released by the organized sector. In this process wage and self employment opportunities for the unskilled and the semi skilled workers have deteriorated further. (Parthasarathy G. 1996)

E. Women employment in informal sector

Women work force is an important component of the human resource and was most neglected traditionally due to various reasons. Recently, it is realized that women employment or engagements also have economic values and now women are equally competent to engage in works at far with men. A large number of modern informal sector activities gained importance and became sources of employment for men and women. Women with low socio-economic background largely depend on the informal activities for their well-being. Informal activities became their self employment venture to generate income to their family. Few research studies have
been discussed to know the changing role of women in informal sector and women employment in rural areas.

A model of rural society was developed to show the changing role of women and to compare the behaviour of women at different levels of land and caste hierarchy. It indicates that traditionally the caste system permitted a certain amount of mobility. The opportunities for mobility considerably increased during the British rule. Further, the model has shown that how opportunities of mobility were increased for poor and low status Indians, in particular the scheduled caste and tribes. Migration to urban areas, female political participation, education, the activities of social reformers, and the inequalities of dowry, all enabled women to make a relatively easy transition to new roles and responsibilities. (Srinivas M.N. 1977)

Agriculture was a dominant economic activity in rural India. However in recent decade, the percentages of both male and female workers have shown a tendency to shift away from agriculture. A trend towards increasing casusalisation of the workforce in rural areas and more specifically, an increase in the proportion of workers dependent on wage labour in agriculture is also evident. (Jeemol Unni 1989)

A survey on identifying the problems of working women in the rural informal sector of Multan district of Pakistan revealed that majority of respondents were doing more than one type of work. The only exception was a women working as midwife. There were 15 types of jobs being performed by respondents. On an average a respondent was doing four different types of jobs. The activities include oven baking, agricultural activities, spinning, tailoring, embroidering (with needle), embroidering (with glasses), durries, cotton printing, basket making, carpet making and so on. The behaviour of working women in informal sector was very rational and their approach towards doing different type of activities was according to the economic requirements. They were not specialised workers as they involved in different activities. They had to work for the lower wages under the disadvantageous conditions. Most of the women were working just to feed the basic economic needs of the families. They were contributing 33.0 percent to the income of the family and
contribute 50.0 percent of the working members. The need for improving the living and working conditions of women in the informal sector of the rural areas were emphasised. Measures to pay wages according to the job performed by the female labourers and the provision of facilities like hospitals, education, electricity, banks, training and transportation to the villages were recommended. (Karamat Ali 1990)

The Informal employment is generally a large source of employment for women than for men in the developing world. In North Africa 43.0 per cent of women workers are in informal employment. More than 60.0 per cent of women workers in developing world are in informal employment other than agriculture. In Sub-Saharan Africa, 84.0 per cent of women non-agricultural workers are in informal employment. Women represent the vast majority of part time workers in many developed countries. Women comprised 60.0 per cent or more of part-time workers in all OECD (Organisation for Economic Co-operation and Development) member countries reporting data. Women’s share of part-time work for specific countries was as high as 98.0 per cent in Sweden, 80.0 per cent in the United Kingdom and 68.0 per cent in both Japan and the United States. (International Labour Office Geneva Employment Sector 2002)

Self Employed Women’s Union (SEWU) in South Africa has made several efforts to solve the problems of women labourers working in the informal sector. It has made a number of submissions to the Government as policy interventions. These include Memorandum to Labour Relations Act Drafting Team, submission on the Department of Trade and Industry (DTI), Discussion paper on strategies for the Development of an Integrated Policy and Support Programme for Small, Medium and Micro Enterprises (SMME) in South Africa, submission on the Recommendation and Development Programme (RDP), draft policy for Women Empowerment. SEWU has been organizing women working outside of the formal economy in Kwazula-Natal since September 1993, and branches have been started in the Western Cape and Eastern Cape –South Africa. SEWA attempted to reduce the discrimination which prevailed in the labour market. An integrated labour market
policy was suggested by the SEWU to solve the problems of labourers working in the Informal sector. (Self Employed Women’s Union, 1997)

Increasing role of women in unorganised sector was felt during the post reform scenario. The emergence of large scale casual labourers was found in recent years. Women form the major share of casual labourers in India. Realizing the intense concentration of women in the unorganized sector, A.M. Scott called it as the ‘female sector’. The rise of female participation was more due to economic compulsion than any change in the work ethos. Women work in agriculture, forestry, fishing, petty service, small manufacturing units and trade, spinning and weaving, mining and quarrying, construction works, rural handicrafts etc. These activities are mainly feminine activities. (Rashmi Akhoury 2005)

Women participation in the labour force has been increasing in many countries of the world. But, Indian rural labour market was characterized by low female participation rate. Studies have shown strong evidences of gender inequality in employment and earnings in rural households. The positive feature of the post-reform period was that unemployment rates by all measures have gone down sharply for women as compared to men in rural India. It was also observed that the trend towards diversification of the rural workforce has been slow both for male and female workers during the post reform period. Specifically, occupational diversification of women has remained stagnant, indicating that the option of diversification in non-agricultural employment was very limited for women. As regards the changes in employment status, the most striking feature of post reform period was increasing casualisation of rural workforce, both for males and females. This process of casualisation was more severe in case of female workers. Average daily earnings of female workers continue to be less than that of male workers. The male female wage differentials have also not improved during the post reform period in agricultural sector. The study reveals that the overall quality of employment of rural women was not much lower than that of rural men. But the quality of employment has not improved over time. (Alka Singh 2005)
The Informal sector existed even before the growth of trade unions. The important reasons for the growth of the informal sector were labour and capital market distortions and change in the government policies. The growth of informal sector becomes inevitable in the changing labour market conditions. Feminization of employment has also become a part of this emerging labour market. Study reveals that women’s employment in the informal sector was on the rise since 1970’s. Some of the reasons for the increasing feminization of employment in the informal sector includes introduction of structural adjustment programmes in the name of liberalization, privatization and globalization which led to a situation of women losing ground in the formal sector, Spread of ancillarisation and industrial employment through subcontracting, Poor performance of the economy leading to stagnating and falling incomes of households, Export oriented industrialization, Relocation of industries from the developed to developing countries and change in the male economic provider model in many countries. In the Indian context, considerable sectoral shift from manufacturing to services like banking and trade which led to an increase in the feminization of the labour force, expansion of tourism, expansion of services like cleaning, caring and catering, spread of export processing/special economic zones are the few other reasons for feminisation of employment in informal sector. Feminization of labour force was heavily taken place in agriculture and related activities which were often considered as informal. Globalization and industrialization offer higher wages to non-farm work and provide better opportunities for men. Very often circumstances might push women into agricultural work as they become heads of households. In some cases feminization of agricultural labour force was due to the growing wage labour opportunities in non-traditional agricultural exports. (Meera Bai.M and Merlin Joseph 2009)

The role of Non Government Organisations and Self Help Groups in inclusive growth of women was emphasised in the women development studies. Credit management of Self Help Groups, provision of better access to credit, motivating the people to come together, taking the help of Government agencies to extend necessary financial, technical, managerial, marketing support to establish the
enterprises are the important functions of NGOs. The NGOs play crucial role in implementation of the rural and community development programmes of the Government. A number of developmental and welfare programmes were implemented successfully by the Government with the co-operation of NGOs. Today NGOs have also diversified their functions to meet the changing needs of the community. (Arul Kamaraj J.M and Arul Suresh J 2010)

Poverty and unemployment in India has induced the women labourers to work in informal sector activities where the choice of work is limited. Lack of training, lack of scope for improving efficiency, low wages, lack of promotions were some of the important problems of women labourers in informal sector. Study found that there was no economic reason for paying lower wages or providing a similar type of work to women workers. There was diversity in the nature of work. They were working in construction sites, domestic help, garment factories, petty trade and so on. But, there was very less variation in terms of wages, job insecurity, holidays and other benefits. Wage discrimination, discrimination in conditions of job, provision of facilities etc. are found between male and female workers in all the activities. It was viewed that policies like equal payment for equal work; minimum wages must be implemented at the grass root level. Study focused on the implementation of the policies to improve the conditions of women workers in informal sector. (Geetika, Tripti Singh and Anvita Gupta 2011)

Labour market in unorganized sector was highly segmented as low paid job and low status jobs ascribed to women. A number of factors forced women labourers to confine themselves to the low paid and unsecured informal jobs. Women have been considered as a ‘labour reserve’ in the Marxian sense of the term, which during periods of economic expansion, could be drawn into the labour force and at the time of recession were pushed out altogether. (Banerjee N 1991)

**F. Problems, labour administration and new developments in informal sector**

Globalization of the economy has adversely affected on informal sector. Products manufactured on large scale in the foreign countries were dumped to the
domestic market. It posed new challenges to the domestic informal sector. Inconsistent demand for products produced under the informal sector is also a threat to the growth of informal sector. Some of the studies have been discussed to analyse the various problems of informal sector workers and entrepreneurs, to analyse the implications of labour administration and to know the recent developments in the informal sector.

Several recurring patterns in the process of informalisation was found in the study of informal economy between new development and old regulations. One such pattern was related to the source of demand for goods and services produced in the informal sector. Demand for goods produced in the informal sector such as garment, furniture, construction, packaging and electronic industries came from firms that operate in the formal economy. Remaining goods and services produced in the informal sector cater to the communities in which such activities were performed. Second set of pattern was pertaining to factors influencing the demand for and supply of informally produced and distributed goods and services. The factors influencing supply and demand in the construction industry was the rapid increase in the volume of renovation, alterations and development of higher income commercial and residential areas. The failure of enterprises operating in the formal economy to meet the demands of certain low income consumers also affect upon informal sector activities. A third set of patterns in the informal economy was related to the location constraints. Access to cheap labour was the primary reason for choosing a specific location. The high cost of doing business in the city forced the small scale manufacturers to set up shops in spaces not zoned for manufacturing. Fourth pattern in the process of informalisation was related to a variety of jobs. Informal sector jobs are unskilled, offer repetitive tasks. Formal jobs demand high skill or acquisition of a skill. (Sakia Sassen 1994)

Industrial firm may shift to capital intensive technologies requiring higher skill and push, relatively unskilled to declining traditional industries with prospects of income losses and eventual loss of employment. (Ashok Chandra)
The characteristics of Indian labour market reveals the low and stagnant female participation rates, predominance of women in primary sector, low average wages and casualisation of women workforce coupled with high unemployment rates (Horton 1996, Uno 1997, Ghose 1999).

It was revealed that substantial part of the labour force engaged in urban informal sector suffers from technological, marketing and other problems which do not get benefit from the public utility services. These activities are suffering from low productivity and earnings. These activities deserve supportive policy measures. (Papola T.S. 1980)

An analysis of operations and problems of the rural non-farm sector in Rajasthan revealed that the entrepreneurs of rural non-farm sector suffer from lack of access to institutional finance. It was partly due to the fact that until recently this sector has not received any organized policy thrust. Many of them do not have adequate market orientation and therefore face marketing problems, especially the traditional activity enterprises. (Sukhpal Singh, R. Prabhakar 2000)

Small entrepreneurs in the country face several problems. For example, poor quality infrastructure, inadequate access to institutional credit; delayed payments by large industries, procedural delays in getting government clearance, harassment by inspecting officers, rigid labour laws, technological obsolescence, non availability of man power, lack of marketing facilities and difficulty in competing with well established international brand names. These would require not only policy changes but an efficient and responsive administration. The formal financial system is not well suited to meet the credit needs of the informal sector and yet this sector is expected to play a major role in expansion of the economy and the provision of employment over the next ten years. Co-operative system is a potentially important mechanism for providing credit for the informal sector but the system has been greatly weakened in most states. Non-bank finance companies (NBFCs) are another potentially important mechanism for reaching the informal sector with several advantages over the formal banking system. The non-banking sector can also
influence poverty levels indirectly. Casual agricultural labour is one of the main sources of income for the poor. Local informal sector industries touch the lives of many more people than the corporate sector. A programme of economic reform that involves curbing the petty tyranny and corruption of the small industry inspectors encouraging micro finance and marketing channels, and providing the positive and negative incentives of Chinese model decentralization, has the potential of opening the flood gates of small scale entrepreneur in India. (N.C. Saxena 2003)

The labourers and entrepreneurs in the informal sector face many difficulties in the process of employment. Proper labour administration through the co-ordination of the work of trade unions, Non-Government Organizations (NGOs), punchayats and community organizations was emphasised for the growth of the informal economy. This would help the empowerment of workers of informal sector. These organisations must adopt development approach to realise the growth of informal sector activities. (Sivananthiran A. Venkata Ratnam C.S. 2006)

Workers Facilitation Centres (WFC) was set up widely over the country in order to implement the recommendations of the National Labour Commission. These centres were not a part of the government bureaucracies. They were handed over to the local agencies including punchayats, trade unions or employers’ organizations, NGOs etc. The functions of the worker facilitation centre were to register the worker and act as the delivery point for providing welfare measure for workers who became part of the welfare funds. Disputes arising in the informal sector would be solved through this WFC. Disputes were resolved by the WFC through tripartite or multipartite conciliation. The success of this Act depends on how actively the workers themselves are able to participate in its implementation and this requires the workers to organize themselves. Workers tend to organize themselves to respond to the existing economic and political situation. (Renana Jhabvala 2005)

Globalization has brought a number of challenges to the workers and entrepreneurs in the unorganised sector. It was felt that unorganized workers are to be provided with opportunities for self employment. Proper guidance and motivation
could convert tiny entrepreneurs into the productive resources of the economy. Study indicates that trade unions and voluntary agencies would play a significant role in improving the living conditions of unorganized workers. National renewal fund could be expanded to provide financial assistance to the unorganized workers. Special funds could be identified for specific purpose like motivation training, skill training and so on. In this way the conditions of unorganized workers could be improved to overcome the threats of globalization. (Tara Kant Jha 2005)

Collective care arrangements in the informal labour market with reference to road transport workers in Pakistan indicate that membership based unions/federations have evolved certain collective arrangements in response to threatening and insecure work conditions. The important issue for transport workers was obtaining protection against abuse of power by regulatory personnel. Collective informal arrangements helped the transport workers to protect their rights and to improve the working conditions. It also prevents the misuse of power by the regulatory body. Officially acknowledged identity was used as an important tool to protect their rights. The registered unions issue membership cards, on the pattern of national identity cards, which contains the workers picture, his name, full name of the union/organization, its registration number and the secretariat address. The membership based unions provide security in times of crisis in the life of the worker to prevent him and his households sliding into poverty. Collective care arrangements was adopted in order to address the work related problems that arise due to traffic accidents resulting in injuries, prolonged hospitalization or death of the worker. (Zeenat Hisam 2006)

A model that the size of the informal sector depends on the extent of contracts enforced in the formal sectors was developed in the study of contract enforcement and the size of the informal economy. Numerical simulations of the model reveal that for various sets of exogenous parameters lax tax enforcement was not sufficient to generate a large informal sector. When the degree of contract enforcement was high, the informal sector was small, even if there was no explicit tax enforcement. The contractual imperfections generate large informal sectors
activities. The industrialized nations have small size of informal sectors because they enforce regulations better than developing nations. The judiciary system is more efficient in developed nations. (Erwan Quintin 2008)

Women working in unorganized sector were leading low level of life with poor standard of living. They suffer from many problems like unhygienic environment, lack of medical facilities, and lack of awareness on regulations and so on. It was viewed that the Government, NGO’s should come forward for the betterment of the women working in informal sector. (Women study centre)

Informal sector in India is over represented by women. Deregulation, flexibility and the decentralization of the work processes have weakened workers capacity to organize. The employers prefer women workers because they are thought to be more disposable arising from their family roles, which makes it easier for management to adjust the size of the work force to the fluctuations in demand. In many cases, women workers in the informal sector work in deplorable working conditions. This is very true in sectors like garment making, electronics, export processing zones etc. In these sectors little consideration is being given to health and safety. (Meera Bai.M and Merlin Joseph 2009)

An empirical study to measure the relationship between economic liberalization and informal sector in India and the impact of formal informal sectors linkages on the informal sectors growth proves that the size of unorganized sector was higher in terms of percentage share than organized sector. Informal sector accounts for 60.0 per cent of total Net Domestic Product (NDP). Informal employment increases over time along with the estimated population and labour force, while the formal employment has decreased. The size of unorganized sector in terms of its percentage shares in NDP decreases overtime. In terms of informal employment it was increasing over time. Hence, it reveals that organized sector was expanding in terms of its percentage share in NDP but this growth was unable to create formal employment i.e. the growth of the formal sector was jobless growth. As trade openness increases, the relative share of the unorganized manufacturing sector decreases. Due to liberalization both unorganized and organized
manufacturing sectors increases but the rate of increase of the organized manufacturing sector was much higher than the unorganized manufacturing sector. Empirical findings have shown that the linkages between organized and unorganized manufacturing sector helps to grow the unorganized manufacturing sector. (Indrajit Bairagya 2010)

Social insurance scheme must be a compulsory system for unorganized sector workers. Many difficulties are involved in extending insurance coverage for large unorganized workforce in India. However, the system of ration cards for below poverty line (BPL) families prevailed since long time which could be used to identify the unorganized workers. Old-age pension, death and disability benefit (life insurance) and maternity benefit are the three requirements of a minimum social insurance(SI) programme internationally recognized by the ILO. The National Rural Health Mission (NRHM) has played significant role in extending the health infrastructure to the rural informal sector. (Shyamala A and Haridoss R 2010)

Informal sector in India and challenges for its transformation states that the phase of globalization came with a new dynamics of informalisation. Firstly, the establishment of the free play of capital’s logic has resulted in the destruction of some of the informal sectors like handloom, traditional pottery, traditional utensils, traditional carpentry, traditional charcoal makers, traditional salt pan makers, traditional iron implements, traditional shoe makers, traditional oil business, traditional toy makers and many micro and small scale industries in various sectors. Secondly, the requirements of the new profit maximizing strategies in new international division of labour, new sections of informal workers and new informal sectors were created or some existing ones were expanded in such a way that they were completely dependent and linked with the global chains. It has led to the new trends that traditional sectors producing directly for market were being destroyed and those traditional/ informal sectors with a scope for assimilating in the global value chain of transnational corporations were being expanded or recreated. It also led to Informalisation and transfer of the jobs from formal to informal sectors. With increasing unemployment problem very low paying, precarious informal sectors
occupations keep on expanding. For them it was not the occupation of their choice, but became a means of struggle for survival. The cumulative effect of all these factors was the expansion of informal sector and expanding the reserve army. (Surendra Pratap, Centre for Workers Education)

The unorganized sector has grown largely over the years. But, this was in contrast to a stagnant workforce of organized workers. There was a conclusive evidence of an emerging social dualism along with increasing formalisation of organized sector. The preference for unorganized workers in the organized sector was a matter of serious concern, particularly from the point of view of equity and social justice. There was a significant disparity in the proportion of employment of male and female workers. The female workers were more vulnerable to social insecurities, exploitation and wage discrimination. This has adverse effect on poverty in the unorganized sector. In all the states unorganized sector employment was quite high. However, activity wise classification suggests significant heterogeneity in dominance of different activities in different states. In the traditionally poor states urban poverty among the unorganized (non-agriculture) workers was significantly high. In these states poverty ratio among casual workers was also very high. (Jayant Kumar and Hitesh Bhatia 2012)

Low wages that were often insufficient to meet minimum living standards including nutrition, long working hours and hazardous working conditions, lack of basic services such as first aid, drinking water and sanitation at the work sites were the characteristics of unorganized sector workers, states a study on women workers in informal sector in India: understanding the operational vulnerability. This study on informal workers made in the state of Orissa includes the group of Ragi pickers, Domestic workers, Coolies, Vendors, Beauticians, construction labourers and garment workers. The women workers in the informal sector work as piece rate workers, self employed workers, paid workers in informal enterprises, unpaid workers in family business, casual workers without fixed employers, subcontract workers limited to formal enterprises. The study noted that poverty was a multidimensional concept. Lack of adequate income was not only the cause of
poverty. Instead, lack of choice, sense of powerlessness, vulnerability and lack of assets, insecurity and social exclusion were also the causes of poverty. The study reveals that a large percentage of women workers were leading a life of subsistence. Lack of awareness, low level of literacy excludes them from the mainstream opportunities. (Kamala Kanta Mohapatra 2012)

**CONCLUSION**

Informal sectors are equally important as formal sectors in any economy. Some of the characteristics of informal sector activities makes them different from formal activity and these characteristics are discouraging in nature, unorganised, not much bound by policy measures or tax, and totally undeveloped activities but still more significant in the overall economic development.

In highly populated economy they assume more importance in terms of employment generation to local unskilled labour force. However, in the changed context of globalisation and competitive economy, they are pressurised to transform. In this context, it would be interesting to analyse the economics of informal activity and compare them between traditional and modern ventures of informal sector. Moreover, employment generation potential of informal activities has to be measured so that the unemployment problems of those low skilled labour categories can be answered. In addition, analysing the structural transformation, cost, competitiveness, marketing of these products becomes crucial to understand the present status of informal sector.

Review of literature on informal sector indicates that, the conceptual issues, non-farm employment, women employment, socio-economic, structural changes and the new developments in informal sector are much discussed in the literature. But, issues like identifying the major informal sector activities that could absorb the labour force, employment potential of informal sector and the role of NGOs and SHGs in imparting employability among the people are less researched. Hence, in this research an attempt is made to analyse the economics of informal activity focussing more on its structural changes, cost, values, revenue, employment potential and marketing.
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